

# HFMA August Institute

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President and CEO  
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August 19, 2010

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- ▣ Health Care Reform – Federal
- ▣ Medicaid Impact
- ▣ Rebasing Medicaid
- ▣ Health Insurance Exchanges

## Health Care Reform: Overview

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### □ Coverage

- Expands to 95% of all citizens and legal residents through insurance reforms, individual mandate, Medicaid expansion and new insurance exchange
- 32 million people who presently are uninsured

### □ Cost/Benefit (CBO Estimate)

- \$940B over 10 years
- Reduce deficit by \$143B

### □ Hospital Impact over 10 Years

- \$155.8B in reimbursement cuts
- \$112.6B in market basket
- \$36.1B in Medicare and Medicaid DSH
- \$7.1B for readmissions

3

## Timeline of Major Provisions

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### □ 2010

- Reduces Medicare inpatient, outpatient payments by 0.25% and LTCH payments by 0.5%
- Requires nonprofit hospitals to conduct periodic community needs assessment
- Eliminates the exception for physician-owned hospitals under Stark (Grandfathers with Medicare agreements in place before 12/31/10)
- Prohibits all new health plans from denying children coverage based on pre-existing conditions
- Extends coverage to those up to age 26 through parents' insurance
- Provides tax credit of up to 35% of premiums to small businesses
- Establishes a Patient-Centered Outcomes Research Institute to conduct comparative effectiveness research

4

## Timeline of Major Provisions

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### □ 2011

- Reduces Medicare inpatient, outpatient and LTCH payments by a “productivity adjustment” of 0.1%
- Requires all health plans to report annually on the share of premiums spent on medical care and rebate beneficiaries for excessive medical loss ratios
- Expands Medicaid eligibility to all people under 133% of federal poverty level; voluntary until 2014
- Redistributes unused residency slots, 75% of which must be used for general surgery or primary-care
- Requires HHS Secretary to provide additional Medicare funds to lowest cost counties in the country

5

## Timeline of Major Provisions

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### □ 2012

- Reduces Medicare inpatient, outpatient and LTCH payments by a “productivity adjustment” of 0.1%
- Reduces payments for hospitals with “higher-than-expected” readmission rates for heart attack, heart failure and pneumonia
- Begins voluntary Accountable Care Organizations (ACOs) payment program

### □ 2013

- Reduces Medicare inpatient, outpatient and LTCH payments by a “productivity adjustment” of 0.3%
- Begins nonprofit Consumer Operated and Oriented Plans (CO-OPs)
- Begins voluntary bundles payment pilot program (10 conditions)

6

## Timeline of Major Provisions

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### □ 2014

- Individual mandate for health insurance
- Guaranteed issue and renewal
  - No pre-existing condition exclusions
  - Bans lifetime and annual limits
- Provides 100% federal funding for costs associated for Medicaid "newly eligible's" through 2016
- Expands readmissions policy to include more conditions (reduction in payments increases to 3%)
- Begins health benefits exchanges

7

## Timeline of Major Provisions

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### □ 2015

- Reduces Medicare inpatient, outpatient and LTCH payments by 0.2%
- Establishes Independent Payment Advisory Board to submit recommendations to Congress on reducing Medicare spending
- Expands bundled payment program according to HHS Secretary's Plan

### □ 2016

- Reduces Medicare inpatient, outpatient and LTCH payments by 0.75%

### □ 2017

- Reduces Medicare inpatient, outpatient and LTCH payments by 0.75%
- Reduces federal funding for costs associated with Medicaid "newly eligible's" to 95% of costs

8

## Timeline of Major Provisions

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### □ 2018

- Reduces Medicare inpatient, outpatient and LTCH payments by 0.75%
- Reduces federal funding for costs associated with Medicaid “newly eligible’s” to 94% of costs

### □ 2019

- Reduces Medicare inpatient, outpatient and LTCH payments by 0.75%
- Reduces federal funding for costs associated with Medicaid “newly eligible’s” to 90% of costs

9

## Financial Impact to Texas Health (2010 – 2019)

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- Additional Medicare payment reductions related to the following but not yet quantified
  - Unnecessary readmissions
  - Hospital acquired infections
  - Fraud and abuse audit impacts

10

## Medicaid - Rebasing

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- ❑ Budget rider
- ❑ Revised standard dollar amount (SDA)
- ❑ New SDA rates
- ❑ Revised severity adjusted (MS-PRG)
- ❑ Mean length-of-stay
- ❑ Outlier payment thresholds

11

## Medicaid - Rebasing

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- ❑ Effective September 1, 2010
- ❑ Timing
- ❑ Future Impact

12

## Texas Alliance for Patient Services State Concerns

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- ❑ Medicaid reductions 1% September
- ❑ Reduce statewide trauma program
- ❑ Medicaid readmissions
- ❑ State insurance exchanges
- ❑ Caseload, especially children

13

## Medicaid

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- ❑ 4 million covered
- ❑ Dispro impact
- ❑ Upper payment limit
- ❑ Administrative process

14

## Medicaid

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- ❑ 2014 – Up to 133% of federal poverty level
- ❑ 100% federal financing from 2014 to 2017
- ❑ 90% between 2017 to 2020
- ❑ 90% thereafter

15

## Health Insurance Exchanges

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- ❑ 2013 Health and Human Services determine if states operate exchanges
- ❑ 2014 state insurance exchanges
- ❑ 2015-2016 penalty phases

16

## Health Insurance Exchanges

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- ❑ Supervise insurance-plan marketing and competition in small group or non-group markets
- ❑ Oversee standardization of plan benefits and cost sharing
- ❑ Assist in restraining premium growth
- ❑ Administer the distribution of tax credits

17

## Health Insurance Exchanges Key Issues

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- ❑ Adverse selection
- ❑ Number of participants
- ❑ Transparency and disclosure
- ❑ Competition
- ❑ Administrative costs
- ❑ Governance
- ❑ Relationship with employees
- ❑ Cost control

18

# Questions

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