

State Legislative Update



TEXAS HOSPITAL ASSOCIATION

HFMA – Lone Star Chapter Meeting

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Implementation of Federal Health Care Reform



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- Development of state health exchange
 - Certification of qualified health plans
 - Information to public on health coverage options
 - Facilitate enrollment (qualified health plans, Medicaid or CHIP)
- Plan expansion of Medicaid coverage by 2014
- Federal and state funding of infrastructure for state health exchange and Medicaid key issue
- Address future health care workforce needs

Implementation of Federal Health Care Reform



- Access to care
 - TMA study: doctors seeing Medicaid patients falls from 67% to 42 % over the last 10 years

- Impact of Medicaid expansion on state budget
 - Could be as much as \$27 billion in GR over 10 years

- Ability of state to process applications for Medicaid and premium subsidies
 - Adds more than 1.7 million individuals to Medicaid rolls
 - Modification in enrollment system to allow continuous eligibility

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State Budget Issues



- Estimated \$18 billion shortfall; could be higher

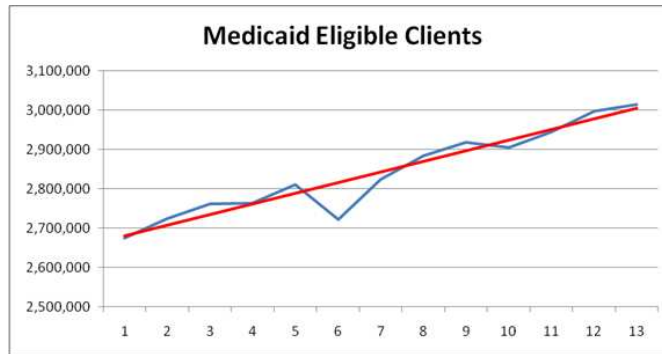
- Sales and franchise tax revenues are expected to be down; Comptroller will issue revenue forecast for 2011-2012 early in session

- Must replace loss of \$6.4 billion in federal stimulus funds

- \$3 billion in anticipated cost increases for Medicaid, education and public safety/prisons

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Medicaid Enrollment in Texas



12 - Month Growth Rate = 13 percent

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This is not a drill...



- State leadership recently approved \$1.25 billion in General Revenue cuts to the 2010-11 budget
- \$183 million in state funds was cut from health and human services
 - About one-third (\$64 million) is provider rate reductions for Medicaid managed care organizations and for all HHS programs (including acute care hospital payments) except Medicaid community care, foster care, and adoption subsidies
 - The rate cuts take effect September 1, 2010, and will cause an additional loss of \$115 million in federal matching funds

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State Budget Issues



- Legislative Budget Board has instructed state agencies to limit appropriation requests to 2010-2011 amounts, less spending reductions for 2011, and include information on how an additional 10% could be cut from the budget
- Anticipated that HHSC appropriation request will include significant cut in Medicaid provider reimbursement rates
- State funding for trauma services, nursing education and other higher education programs also will be targeted for reduction

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It's going to be hard...



The problem Texas is going to have is really a testament to how conservative and fiscally prudent it has been over the past decade...now we are confronting an economically-based problem and people are saying, "Just cut more and everything will be fine." The problem is, this is not an inefficiently-run government and it's going to be hard. *Billy Hamilton, former state revenue estimator*

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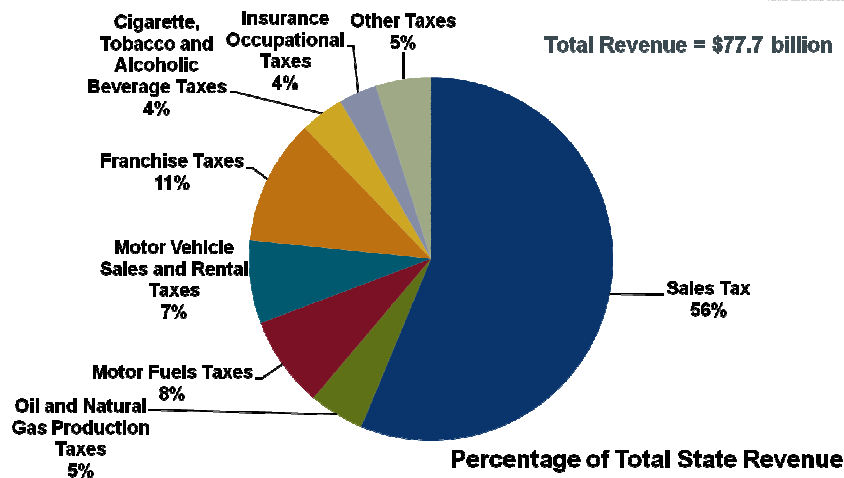
Filling the Hole...



- Extension of the enhanced match on Medicaid for another six months = about \$850 million to Texas
- Tap the Rainy Day Fund, roughly \$8.2 billion by year's end, but expenditure requires 2/3 majority
- Payment adjustments to defer spending into a future biennium
- "Revenue enhancements" without new taxes

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Where Your State Tax Dollar Comes From



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What Are “Revenue Enhancements?”



- Expand gambling – could bring in \$1 - \$4 billion annually
- Eliminating certain sales tax exemptions (medical and professional services)
- Increase “sin taxes”; expand tax to sugary beverages
- Index the gasoline tax
- Provider tax to fund Medicaid

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Legislative Complications/Politics



- Legislature only has to pass appropriations bill
- But, likely will focus on other contentious issues
 - Undocumented aliens
 - Border security
 - State exception to federal health care mandates
 - Redistricting
- Legislative committee appointments; leadership issues

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Keep An Eye On Redistricting



- Of the top 10 fastest-growing cities in the nation, Texas claims 4 in the 2010 census:
 1. Frisco – 6.2 % increase
 3. McKinney – 5.5 % increase
 8. Round Rock – 3.4 % increase
 10. Lewisville – 3.3 % increase

- Texas is expected to gain 3 or 4 Congressional seats

- Impact of migration trends – rural to urban

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Key Health Care Issues



- Medicaid

- Uninsured

- Health care delivery(accountable care organizations, corporate practice of medicine)

- Workforce (supply, education, practice environment)

- Hospital billing and collections practices

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Medicaid



- Medicaid funding; provider reimbursement
 - Federal matching funds; state appropriations
 - Hospital reimbursement cuts likely
 - Physician reimbursement cuts?
 - Pay for performance; other modifications in hospital reimbursement

- Medicaid managed care expansion
 - Anticipated that Legislature will consider expansion of Medicaid managed care, primarily into South Texas
 - Expansion of STAR and STAR+PLUS will generate Medicaid cost savings and additional premium tax revenue
 - Based on how it is implemented, expansion of Medicaid managed care could impact all hospital UPL payments

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Uninsured



- Development and implementation of state health exchange and expansion of Medicaid will be primary mechanisms for providing coverage to the uninsured

- Estimated that implementation of the federal legislation will reduce percentage of uninsured from 26% to 9%

- Federal funds available for development of state exchange and additional federal funds will be available to cover new Medicaid recipients
 - But, there may be legislative opposition to the development of an exchange or future expansion of Medicaid

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Uninsured



- In short term, key issues will be:
 - Establishment of state health care exchange
 - New or existing state agency?
 - Development of infrastructure
 - Coordination between exchange and Medicaid/CHIP programs
 - Funding of Healthy Texas and Health Insurance Pool
 - Funding of uncompensated trauma services

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Health Care Delivery



- Development of state regulatory standards for accountable care organizations
 - Type of legal entity; governance
 - Policy/operational requirements (quality/efficiency standards, credentialing /adequacy of provider network, limits on care)
 - Acceptance of insurance risk; financial solvency standards
 - Eliminate state legal barriers (illegal remuneration, fee splitting, antitrust)
- Allow ACOs to contract with Medicaid and other state funded health care programs
- Hospital employment of physicians (rural and public hospitals)

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Workforce



- With implementation of health care reform and continued population growth, Texas will face a significant shortage of nurses, physicians and other health care providers

- State funding of health care professional education and changes in health care policy needed to address future workforce needs
 - Nurse education funding (faculty salaries, scholarships)
 - Physician education funding (Medicaid GME, residency slots, loan forgiveness)
 - Scope of practice for advanced practice nurses

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Hospital Billing and Collection Practices



- Legislation anticipated on various billing and collection practices
 - Required discounts for uninsured patients (average negotiated commercial rate or Medicare rate)
 - Allow installment payments if unpaid amount exceeds certain amount of family income
 - Prohibition of reporting of medical debt to credit organizations
 - Mark-up of high cost implants, pharmaceuticals

- Modifications to nonprofit hospital requirements
 - Required discounts for uninsured patients
 - Required level of charity care/community benefits

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Questions



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