Medicaid Budget – Hospital's Perspective

Bill Welch, President & CEO, Nevada Hospital Association

State of Nevada Medicaid SFY 2016-17 Budget

What's missing?

- State has provided a budget overview that shows almost $7.0B in Total Medicaid Funding over the biennium
  - With approx. $1.2B being funded by the state's general funds
  - Remainder primarily federal funding

- State has also shared with the committee that Medicaid enrollees have grown
  - 316K in 2013
  - 520K at the end of 2014
  - Projected to level off at 565K at the end of the biennium

- An approximate 80% increase

Medicaid Budget - State's Perspective

- Hospitals received a 5% rate decrease in 2008.
  IMPACT: $58M in lost reimbursement to hospitals over the next biennium.
- Hospitals/Counties/State have jointly developed a Medicaid supplemental payment program.
  IMPACT: $30M in payments annually to Nevada general acute care hospitals.
- Effective July 1, 2014, general acute care hospitals received an increased per diem for psychiatric/detox patients.
  IMPACT: $15.4M annually
- Effective January 1, 2015, NICU babies clinically meeting InterQual Level II criteria were re-mapped to be paid at the NICU rate instead of the newborn rate.
  IMPACT: $7.4M annually
- State is proposing a 2.5% increase effective 7/1/16.

Here is a summary from the State's Budget Presentation as it relates to budgeting for hospital services.

- 5% rate decrease 2008 that has not been reinstated
- Addition of a Medicaid supplemental payment program – that essentially redirected funding hospitals historically received directly
- Increased psych rates to encourage more providers to offer acute psych services
- Corrected NICU rates
- 2.5% rate increase to implemented in the second year of the biennium

Medicaid Budget – Hospital's Perspective

- The **2008 rate decrease has never been restored resulting in $58M in lost reimbursement** to hospitals over the next biennium.
- **Medicaid Supplemental Payment Program**: Historically, hospitals received $20.0M in indigent care-related funds directly. Those funds have been redirected to fund the supplemental payment and other programs.. **The net benefit to hospitals is $10 million**.
- **Acute Psychiatric care rate increase:** This is new service for most general acute care hospitals (only 2 have previously provided acute psychiatric services).
  - Rates were based on an estimate of the cost to provide care.
  - Providing inpatient psychiatric services as a new service requires a significant capital investment on the part of hospitals.
- **NICU payment change is a correction** to an administrative change that was made to Medicaid payment policy 5 - 7 years ago which resulted in significant underpayments to hospitals for NICU care.
- **Proposed 2.5% increase in the second year of the biennium ($14.4M),** which is **less than the average cost inflation for Nevada hospitals**, will result in an even higher level of Medicaid unfunded cost by the end of the biennium.

Hospitals have a different perspective:

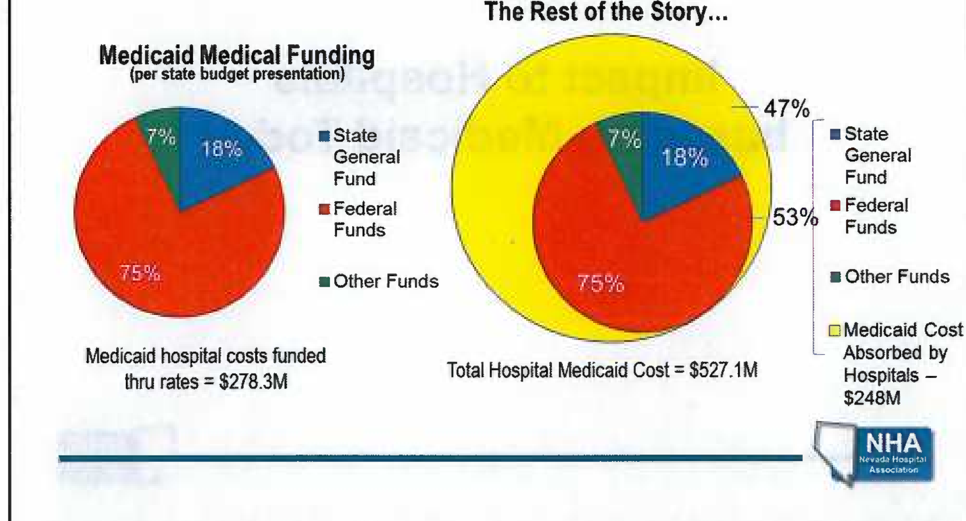
2008 hospital 5% rate decrease - has not been restored and results in $30M (computed) in lower funding over each biennium

Medicaid Supplemental Payment Program
- Does result in $30M a year in funding
- $20M use to be paid directly to hospitals in the form of County Supplemental and Indigent accident fund payment
- Those funds have either been redirected or are being used as the non-federal match for this program
- **Net benefit to hospitals is $10M per year or $20M over the biennium.**

Acute care psych rate increase:
- Increase was to encourage providers to provide this service
- Most general acute care hospitals had to make significant capital investment to provide this service
- Rates are based on cost

NICU payment correction : Administrative change that occurred 5-7 years ago and resulted in significant underpayment to hospitals was finally corrected.

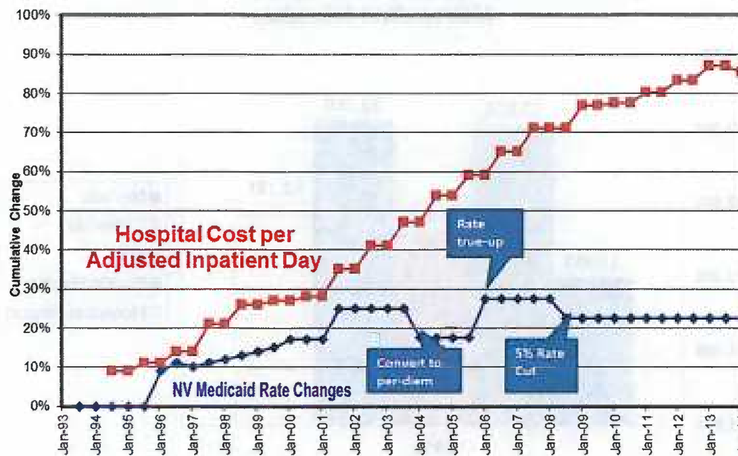
2.5% rate increase: proposed to be implemented in the second year of the biennium will not even offset inflation increases over the biennium



- The State's perspective on funding the cost of the Medicaid program only takes into consideration 53% of what it costs Nevada Hospitals to provide care.
  - State is only considering funding Medicaid rates
  - Important to note Nevada Medicaid was 46th in the U.S. in terms of Medicaid payments per enrollee in in 2013, and dead last in payments per capita.
  - In 2013 Nevada Hospitals paid $248M of the cost care for Medicaid enrollees
    - More than either the feds or the state

Impact to Hospitals
based on Medicaid Today
NHA
Nevada Hospital Association

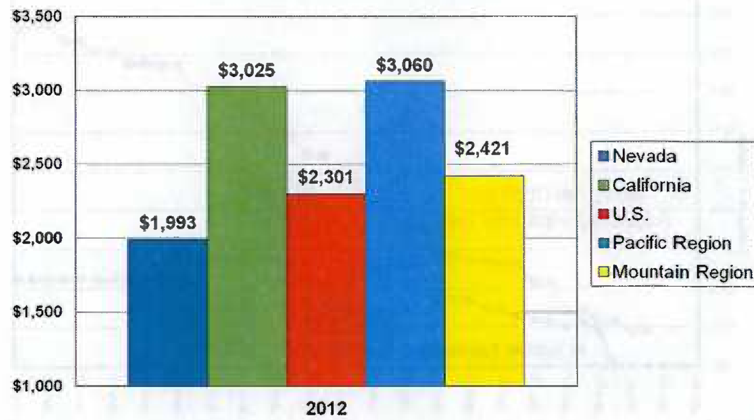
Comparison of Hospital Costs to Medicaid Rates



- Today, Medicaid hospital rates are paid the same as in 2001 – almost 15 years ago, although Nevada hospital costs to provide care have increased 57percent over the same time period.

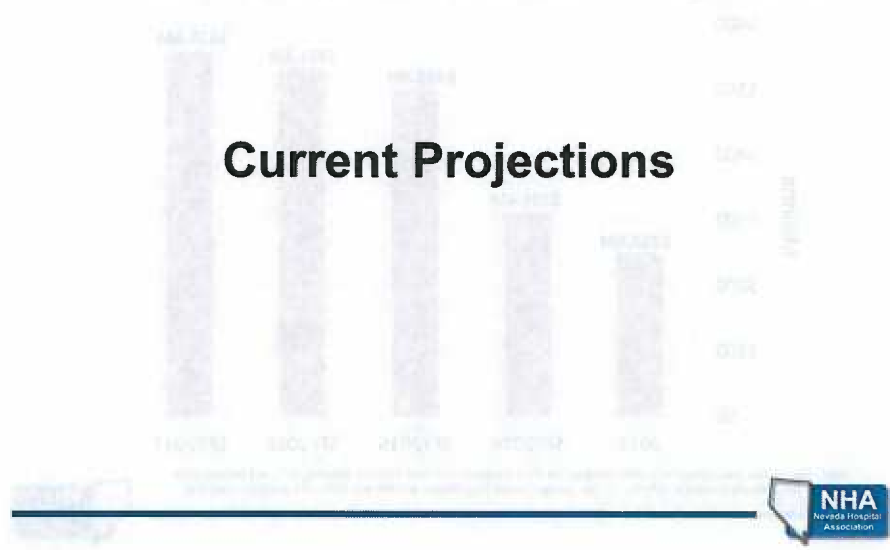
Nevada Hospital Expense per Adjusted Day vs. Nation & Region

Metropolitan Hospitals



Source: AHA Hospital Statistics 2014

- It should be noted - Nevada hospitals have controlled costs. Our $1,993 cost per adjusted inpatient day is lower than the national average of $2,301, California at $3,025 or the Mountain Region at $2,421.


Current Projections
NHA
Nevada Hospital Association

Here is What Hospitals Can Expect in Growing Medicaid Uncompensated Cost

Note: Uses actual uncompensated cost for Medicaid for 2013 (hospitals with 100+ beds not including UPL) and projects 2015 to 2017 using Nevada Hospital's historical 10 year average annual cost inflation of 3.4% and Medicaid's projected case load for 2015 – 2017.

2013 uncompensated cost is based on actual uncompensated cost for general acute care hospitals with > 100 beds.

This projection includes 2 variables:

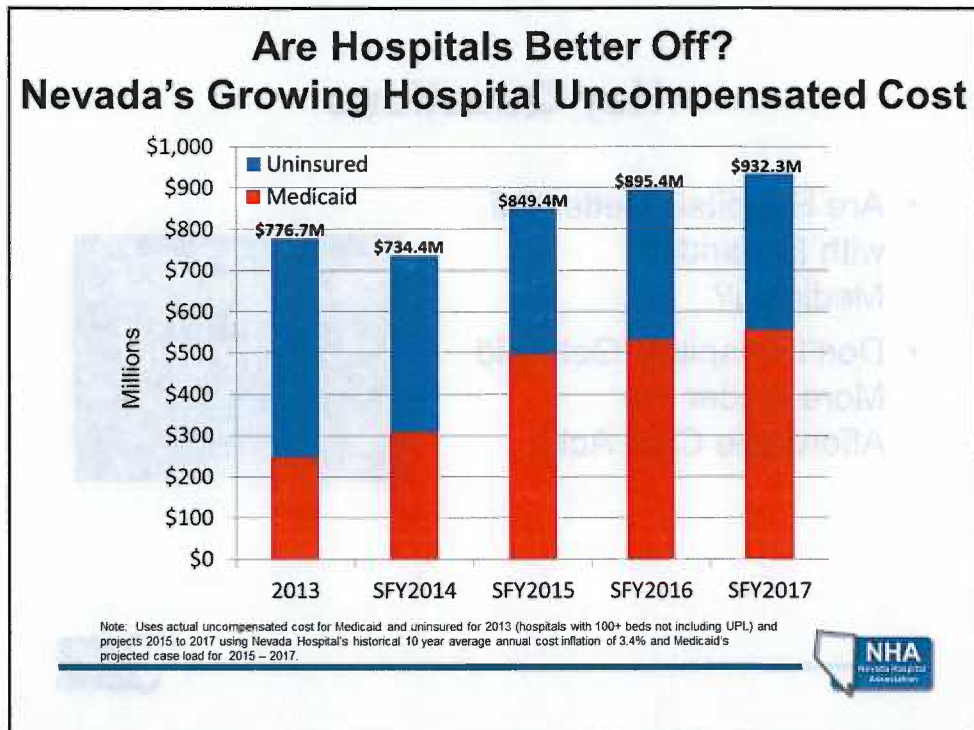
- Changes in eligibility from the Medicaid budget projections
- Actual Average annual cost inflation of 3.4% which is lower than the national average

By 2016 (first year of the biennium), Medicaid uncompensated cost for hospitals will be more than double the 2013 levels.

Key Questions

- Are Hospitals Better Off with Expanded Medicaid?
- Don't Hospitals Get Paid More Under the Affordable Care Act?

I regularly get asked these questions and thought I should be sure to include the answers for your information today.



This is the projected uncompensated cost related to both self pay and Medicaid care provide by hospitals.

As in the prior projection – 2013 is based on actual uncompensated cost for hospitals with > 100 beds. The projected years take into consideration 2 variables:

- Changes in enrollment (or population- in the case of self pay patients) as estimated by the state in their budget presentation
- Actual Average annual cost inflation of 3.4% which is lower than the national average

Note: On a combined basis, while the general acute care hospitals are expected to see a slight improvement for 2014 (when the final information is compiled):

- We expect by 2015 forward, uncompensated costs for hospitals will be on the rise. We will need to do something if we want to maintain access to hospital services we have now.

Don't Hospitals Get Paid More than Just Medicaid Rates?

- State's 2016 & 2017 Budget projects the following supplemental payments for hospitals:
  - Public UPL
  - Private UPL
  - Disproportionate Share
  - Medicaid Supplemental (IAF)

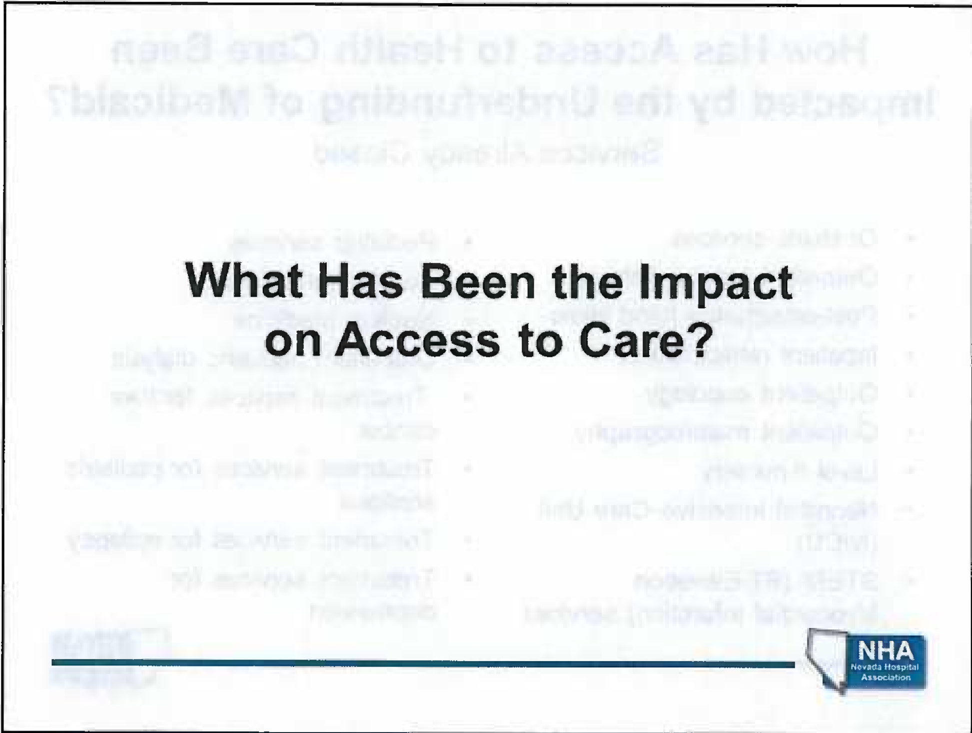
Total over the biennium: $195M

- NOTE: Public upper payment limit includes UPL payments covering inpatient, outpatient and GME at UMC.
  - Of the $195M in supplemental payments over the biennium – UMC is expected to receive $138M of that amount
  - Private general acute care hospitals expected to receive $57M over the biennium

Don't Hospitals Get Paid More than Just Medicaid Rates?

- On average over the biennium hospitals are expected to collect:
  - 47% of the cost to provide care from current Medicaid rates
  - An additional 9% of the cost to provide care in the form of supplemental payments
  - For a total of 56% of the cost of care

- Nevada's Hospitals are expected to collect 56% of the cost to provide care to Medicaid enrollees over the 2016/17 biennium
  - while the US average in 2012 was 89% .
- The **state net benefit of these supplemental payment programs is expected to be $84.8M over the biennium**
  - Will be added to the general fund to fund the state budget
  - AND **no state dollars** are being used to fund the non-federal share of these supplemental payment programs



It is important to look at the overall access of services provided by the hospital industry today to get a sense of how these projections will likely impact future access to care.

How Has Access to Health Care Been Impacted by the Underfunding of Medicaid?

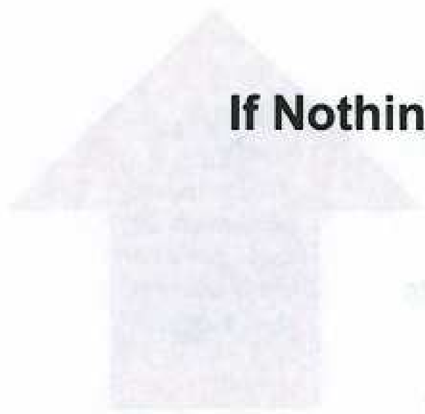
Services Already Closed

- Obstetric services
- Outpatient kidney dialysis
- Post-emergency hand clinic
- Inpatient rehabilitation
- Outpatient oncology
- Outpatient mammography
- Level II nursery
- Neonatal Intensive Care Unit (NICU)
- STEMI (ST-Elevation Myocardial Infarction) services
- Pediatric services
- Cardiac rehabilitation
- Nuclear medicine
- Outpatient pediatric dialysis
- Treatment services for liver cancer
- Treatment services for pediatric scoliosis
- Treatment services for epilepsy
- Treatment services for depression

Here are services that have already closed over the last 5 years.

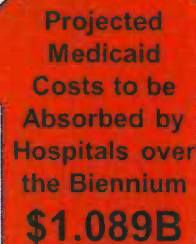
And a number of the these services have closed at multiple facilities, including OB and NICU.

If Nothing Changes…



What the Future Holds – Medicaid Rates

- Medicaid rates only take into consideration the state's perspective and state's dollars
- The significant subsidization of Medicaid cost by the hospitals also needs to be considered
- We need to address this shortfall and the related impacts this has on ALL Nevadans seeking health care (i.e., access, wait times, costs, etc.)



Nevada Hospital Association's Requested Hospital Rate Increase

Nevada hospitals recognize the underfunding of Medicaid cannot be corrected in one budget cycle. However, with the significant growth in Medicaid, we must prevent further erosion of access to care by moving Medicaid rates closer to the cost of the care. Otherwise we put the health care delivery system that we all rely upon at risk. NHA proposes the following first step:

	SFY 2016 10% Rate Increase	SFY 2017 Additional 10% Rate Increase	Total for Biennium
State Funds	$17,703,104	$35,406,209	$53,109,312
Federal/County Funds	39,975,148	79,950,296	119,925,444
Total	**$57,678,252**	**$115,356,504**	**$173,034,756**

Impact to Hospitals

		Projected Medicaid Uncompensated Cost		
	% of cost covered	SFY 2016	SFY 2017	Total
2013 (Actual)	**53.0%**	NA	NA	NA
No rate increase	**47.0%**	$532 M	$557 M	**$1.09 Billion**
Governor's budget	**47.7%**	$532 M	$542 M	**$1.07 Billion**
NHA proposal	**55.4%**	$475 M	$441 M	**$916 Million**

Conclusion: Nevada Hospitals request a Medicaid rate increase of 10% in SFY 2016 and an additional 10% in SFY 2017. We believe this step towards moving Medicaid rates closer to the cost of care will help our hospitals retain much needed health care services for all Nevadans.

Looking to the Future…

What Other Hospital Services are at Risk?

- Additional obstetric services
- Additional oncology
- Additional intensive care nurseries
- Additional dialysis
- Orthopedics
- Women's & children's services
- Thoracic surgery
- Wound therapy
- Chemotherapy infusion
- Neurosurgery
- ~~Mental health services~~
- Chronic disease treatment services

In order to remain viable, services will continue to be at risk if reimbursement doesn't change.

Note, that mental health services has a line through it. If we fix rates, like we have for mental health services, progress will be seen. Acute care hospitals are building out mental health facilities.