

2011 Texas Legislative Session

How Bad Will It Be?



TEXAS HOSPITAL ASSOCIATION

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Federal Health Care Reform



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- Democrats trying to sell plan to the public and help protect those who voted for it.
- Republicans trying to repeal, file constitutional legal challenge, win back control of Congress.
- Implementation work begins:
 - Federal regulatory activities
 - States try to evaluate their implementation role

Issues That Need to Be Revisited



- Medicare/Medicaid readmissions penalties
 - Limit to those within control of hospital
- HIT implementation issues
 - 'Meaningful use' definition and timeline
 - Multi-campus application
 - *Hospital-based physicians (outpatient settings)*
- Permanent Medicare physician payment fix
 - 5 years = \$88 billion

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Federal Regulatory Activity



- Several companies announce early implementation of provision that requires insurers to allow dependents up to the age of 26 to stay on plans.
- HHS soliciting comments on how to implement the requirements related to reporting minimum loss ratios for health plans and review of plan premium increases.

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Federal Regulatory Activity (cont.)



- On April 30, Gov. Perry announced that Texas would not set up its own new high risk pool.
 - Texas was slated to receive approximately \$493 million to set up a pool to offer more affordable coverage to individuals denied coverage until the ban on preexisting conditions takes effect in 2014.
 - His action allows the federal government to administer the pool for eligible Texans.

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Potential Implementation Issues for Texas



- Impact on access to doctors, hospitals
 - 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

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Potential Implementation Issues for Texas



- Treatment of rural hospitals
- Barriers to physician/hospital alignment
 - Repeal of the prohibition on corporate practice of medicine
 - Global payments / bundling
 - Pay-for-performance
 - ACOs / Alternative risk-sharing models
- Illegal immigrants not covered
 - DSH triggers / Section 1011

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Potential Implementation Issues for Texas



- State policymakers will need to consider the impact to current funds supporting health care programs such as:
 - Trauma funds
 - Tobacco settlement funds
 - County Indigent Health Care Program
 - Other population-specific programs administered by the Texas Department of State Health Services

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Impact to Health Care Delivery Systems



- Many of the state's indigent care and charity statutes may need to be restructured.
- Public hospitals will have less uncompensated care.
- The role of city and county health departments may need to be redefined.
- The impact to local Mental Health Authorities is unknown.

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Impact to Workforce Planning



- Demand for primary care providers and specialists will increase as more are insured.
- State will need to examine this increased demand as it relates to the supply of health care providers.
- Strategies for meeting increased demand will need to be explored:
 - Telemedicine
 - Additional use of ancillary service providers

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The 2011 Texas Legislative Session



- Texas will face a \$15 billion-\$18 billion deficit for 2012-13.
- Opportunity to begin implementing health care reforms (insurance reforms, Medicaid expansion).
- Texas Department of Insurance sunset:
 - Removing barriers to buying insurance
 - Risk pool / Healthy Texas (reinsurance)
 - Insurance exchanges

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How Bad Will the Budget Situation Be?



- Est. \$18 billion shortfall but could be higher.
- Revenues for the current biennium could be off by as much as \$3.5 billion.
- Sales tax revenues for April showed a modest gain of 1.4 percent, but year-to-date collections are down 10.3 percent, or nearly \$1.5 billion.
- Must replace \$6.4 billion in one-time GR from the federal stimulus package.

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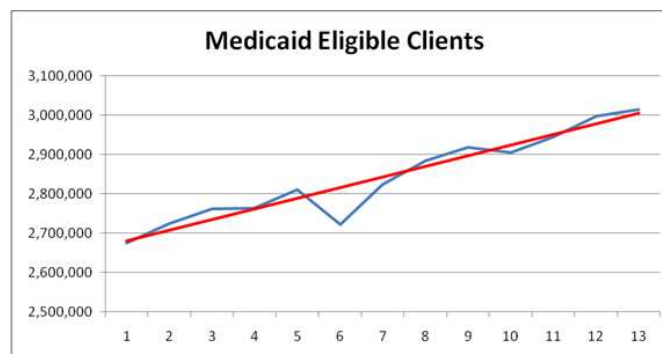
Other Factors Driving the Shortfall



- Health care cost inflation on the state's social services agencies as well as on the teacher and state employee retirement funds and the prison system.
- More money for the foundation school program to make up for lower property values statewide.
- State continues adding residents, leading to greater demand for services.

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Medicaid Enrollment in Texas



12 - Month Growth Rate = 13 percent

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Filling the Hole...



- Federal government extension of the enhanced match on Medicaid for another six months = about \$1 billion to Texas.
- Tap the Rainy Day Fund, roughly \$8.2 billion by year's end – requires 2/3 majority.
- Payment adjustments to defer spending into a future biennium and “revenue enhancements” without new taxes.

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What Are “Revenue Enhancements?”



- Expand gambling – could bring in \$1 - \$4 billion annually
- Eliminating certain sales tax exemptions (e.g., medical and legal services)
- Increase “sin taxes”
- Index the gasoline tax
- Provider tax on hospitals, ASCs and other Medicaid providers
 - Provider rates will be targeted next session

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Other Potential Session Issues



- Workforce (supply, education, practice environment)
- Trauma (funding, physician coverage of ED, Driver Responsibility Program)
- Data reporting/quality improvement
- Repeal of prohibition on corporate practice of medicine (bundling, pay-for-performance)
- Advance Directives Act changes
- Challenges to tort reform

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Interim Studies – Texas House



- Impact of repealing the prohibition on the corporate practice of medicine
- Medicaid cost containment efforts
- Factors driving regional variations in health care costs
- Implementation of Healthy Texas program

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Interim Studies – Texas Senate



- Implications of federal health care reform legislation on state, providers, insurers
- HIT – how to facilitate exchange of health information among providers to improve quality
- Policies to improve health through obesity prevention, nutrition, diabetes management
- Use of best practices to improve quality, including payment incentives

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Rulemaking Underway in Texas



- Hospital licensing rules (nurse staffing)
- Telemedicine requirements withdrawn
- Hospital pharmacy rules revamped
- 24/7 ER physician coverage rule withdrawn
- Medicaid – rebasing, DSH audits
- Healthy Texas implementation
- Texas Health Insurance Pool modifications

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Questions



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