



2011 Annual Institute South Padre Island - Texas

Medicaid Update

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Please note that this information is subject to change as the legislature to date has not passed nor has the Governor signed a final budget.



THA Summary of Medicaid Items Under Consideration (1)

Initiative	Instrument(s)	Medicaid Inpatient Payments	Medicaid Outpatient Payments	Medicaid DSH Payments	Medicaid UPL Payments	Medicaid MCO Payments to Hospitals
Managed Care Expansion	Budget Rider(s) & Proposed Medicaid Waiver				X \$850 Million / year	X Conversion of payments
Inpatient Rate Rebasng	Budget Rider & HB3744	X				X Rates Passed Thru
Limit Hospital Payments Paid by Medicaid MCO	\$450M Budget Rider 61					X
Medicaid Payments for Capital Expenditures	Proposed Rule – 6/23/2011 Council Review HHSC presented rule prohibiting UPL and DSH payments for capital assets			X	X	
Emergency Room Payments	\$450M Budget Rider 61 & Proposed Rule – 40% Reduction non-emergent care & Senate Bill 7		X			X Policy Passed Thru
Global Medicaid Rate Reduction	H.B. 1 - 10% Reduction & \$4.3 billion ARRA FMAP unresolved	X	X			X Rates Passed Thru
Quality Based Payment Initiatives	Senate Bill 7 & \$450M Budget Rider 61 & Proposed Waiver	X	X	X	X	X Passed Thru
Neo-natal Care Management	\$450M Budget Rider 61	X				X



THA Summary of Medicaid Items Under Consideration (2)

Initiative	Vehicle(s) & Status	Medicaid Inpatient Payments	Medicaid Outpatient Payments	Medicaid DSH Payments	Medicaid UPL Payments	Medicaid MCO Payments to Hospitals
Medicaid DSH Adjustments	Proposed Rule – 6/23/2011 Council Review HHSC Contemplating Update for 2010 census data and update weights.			X	Closely Linked	
Medicaid DSH Audit	Clifton Gunderson Audit 2005-2007 Several hospitals with DISPUTED multi-million limit violation			X	Closely Linked	
Quality Assurance Fee	TBD	X	X	X	X	X
Payment Denial for early C-Sections	Duplicate Bills	X				X Policy Passed Thru
Implement APR-DRGs	HB3744 & HHSC Stated Policy	X				X Some Adoption of Policy
Implement Outpatient PPS	\$450M Budget Rider 61		X			X
Collect Medicaid Co-Pays	\$450M Budget Rider 61	X	X			X
Medicaid Bundled Payments	H.B. 1 Rider	X	X			Possible
Children's Hospital UPL	Eliminated from budget/Partial Restoration				X	



Why Expand Managed Care?

- Will increase revenue to the State from premium taxes paid by HMOs
- Will reduce use of hospital services thru improved management of care



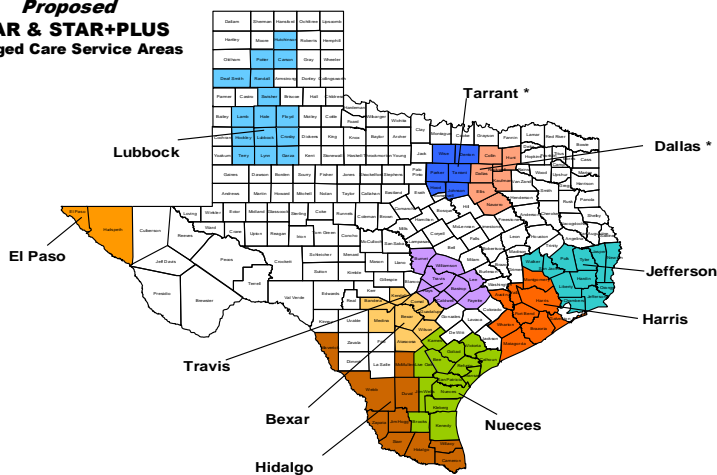
Medicaid Managed Care Expansion Initiatives

- Expand Existing STAR and STAR+PLUS Service Delivery Areas to Contiguous Counties
- Expand STAR and STAR+PLUS to South Texas
- Convert PCCM Areas to the STAR Program model
- Create a Dental Managed Care Model for Medicaid
- Include In-patient Hospital Services in STAR+PLUS
- Carve prescription drugs into Managed Care



Proposed Medicaid Managed Care Initiatives: Geographic Distribution

Proposed STAR & STAR+PLUS Managed Care Service Areas



Source: HHSC

HHSC, Health Plan Operations
September 2010



Proposed Medicaid Managed Care Initiatives

Expand Existing HMO Service Delivery Areas (SDA) to Contiguous Counties	
Effective date	September 2011
Process	Amend Existing Contracts
General revenue impact	\$34.7 million in cost savings.

Source: HHSC



Proposed Medicaid Managed Care Initiatives

Expansion to Contiguous Counties for 2011	
Bexar Service <i>(STAR and STAR+PLUS)</i> Bandera	El Paso Service Area <i>(STAR)</i> Hudspeth
Harris Service Area <i>(STAR and STAR+PLUS)</i> Austin Wharton Matagorda	Lubbock Service Area <i>(STAR)</i> Carson Deaf Smith Hutchison Potter Randall Swisher
Jefferson Service Area <i>(STAR and STAR+PLUS)</i> Chambers Hardin Jasper Jefferson Liberty Newton Orange Polk San Jacinto Tyler Walker	Nueces Service Area <i>(STAR and STAR+PLUS)</i> Brooks Goliad Karnes Kennedy Live Oak
	Travis Service Area <i>(STAR and STAR+PLUS)</i> Fayette

Source: HHSC



Proposed Medicaid Managed Care Initiatives

Expand STAR and STAR+PLUS to South Texas (Proposed Hidalgo Service Area)	
Effective date	March 2012
Process	Competitive Procurement
General revenue impact	\$319.4 million in cost savings

Proposed Hidalgo Service Area Counties	
Duval	McMullen
<i>Hidalgo*</i>	Starr
Jim Hogg	Webb
<i>Maverick*</i>	Willacy
<i>Cameron*</i>	Zapata

* State law currently prohibits use of Medicaid HMOs in these counties

Source: HHSC



Proposed Medicaid Managed Care Initiatives

Convert PCCM Areas to STAR Program (164 counties)	
Effective date	March 2012
Process	Competitive Procurement
General revenue impact	\$61.2 million in cost savings

Create a statewide Dental Managed Care Model for Medicaid	
Effective date	March 2012
Process	Competitive Procurement
General revenue impact	\$101.6 million in cost savings

Source: HHSC



Proposed Medicaid Managed Care Initiatives

Include Inpatient Hospital Services in STAR+PLUS	
Effective date	March 2012
Process	Rule/Policy change
General revenue impact	\$28.9 million in cost savings
Carve Prescription Drugs into Managed Care	
Effective date	March 2012
Process	Competitive procurement
General revenue impact	Option 1 State-specified formulary \$56.8 million in cost savings Option 2 MCO-specified formulary \$72.7 million in cost savings

Source: HHSC



Managed Care Expansion Could Harm UPL programs

- Federal law only allows UPL funding for FFS Medicaid
- It is not allowed under a capitated HMO model
- Potential loss of \$900 million
- Would undermine the ability of local hospital districts to fund the State share for Federal match
 - State considering 1115 Waiver options
 - Maintain FFS for hospital payments & hospitals would have to make up foregone Premium Tax Revenue
 - Option to build UPL payments into the capitation rate
 - Explore use of Certified Public Expenditures (CPEs)



State Wide SDA – Inpatient Rate Rebasing

- HHSC created a SDA Workgroup
- Starting point 2008 full cost SDA rates, not transition SDA's
- Will be in effect for one year
- Within appropriated funds for inpatient hospital reimbursement, HHSC shall rebase hospital rates using a average Statewide SDA amount
- Rural, Children's & State owned hospitals excluded



State Wide SDA Add-ons

- Recommended for legitimate variances in functions & services:
 - Teaching status using Medicare IME payment
 - Designation as a trauma center – amount differs based on level of designation
 - Wage differences by County using Medicare Wage index as a basis – all hospitals adjusted
 - Will continue to evaluate others for future implementation
 - High SSI
 - Neonatal
 - High Medicaid, uninsured and underinsured



SDA Mitigation Strategy

The Commissioner recommended given some large differences between payments and costs

- Maximum SDA \$5,500
- Hold Harmless SDA floor of 85% of 62.32% of fully rebased cost

Or

- Pay hospitals the higher of the Statewide SDA (\$2,881 excluding add-ons) up to a cap of \$5,500, or 53% of their fully rebased costs

A hospital level analysis of the SDA rule is available



SDA Rate Process Key Meeting Dates

- June 7th – HPAC
- June 9th – MCAC
- June 23rd – HHSC Council
- July – Rule published in Texas register
- July / August - Public Hearing on SDA rule
- September 1st – SDA Rule goes into effect



Hospital Managed Care Payments

- Assume that all hospital related cuts will be factored into the State's capitation rates paid to the HMO's
- Although rates are negotiated with HMO's they will push hard to pass cuts to providers



Medicaid Payments for Capital Expenditures

- Prohibits DSH/UPL funds to be used for capital
- Will need to demonstrate you are not doing this
- Will have to account for DSH/UPL expenditures separately
- Subject to audit
- State could take back DSH/UPL funds



Limits to ER Payments

- Medicaid will reduce payments by 40% for ER visits that are deemed non-emergent
- The reduction will be on top of the 84.48% (or 83.38 of low volume) reduction from cost now being paid
- Patient has no skin in the game and hospitals subject to EMTALA



Global Medicaid Rate Reduction

- In general, the State has a target to reduce Medicaid expenditures by 10%
- For inpatient this is 8% over the 11/10 & 2/11 1% cuts
 - Full cost SDA to available funds = 62.32% of cost
 - Will be reduced to 56.2% (62.32 x .98 x .92)
- Outpatient cost based at 84.48% reduced to 76.0% (72.3% for low volume)



Quality Based Initiatives

- Broad initiatives for all payments
 - Preventable readmissions
 - Use of EMR
 - Quality measures
- Are already doing these for Medicare and other payors



Other Initiatives

- Increases NICU Case Management
- Payment denial for early C-Sections (before 39 weeks)
- Implementing payment reform & quality based payments
- Aligning hospital rates in MCOs to FFS rates
- Collect Medicaid co-pays
- Bundled Payments



Other Initiatives

- Partially (\$5 million GR \$12.5 million all funds) restore Children's Hospital UPL Program
- Implement fee schedule for outpatient radiology
- Implement APR-DRG's 9/1/12
- Implement EAPG (ASC payments) effective 9/1/13



Quality Assurance Fee

- Is in the form of a provider tax
- Not supported by Governors office
- Would have the potential to eliminate public hospital IGT for DSH and has potential to reduce cuts
- Many States have used provider taxes successfully



Medicaid DSH Adjustments

- Update for 2010 Census
 - 13 hospitals added
- Update weights
- Will be presented to the HHSC Council for review
6/23/11



Medicaid DSH Audits – Know What is Ahead

- HHSC had its DSH audit conducted by Clifton Gunderson (CG) for program years 2005, 2006 and 2007.
 - The results reflected significant reductions to uninsured cases which in turn will reduce DSH caps which impact DSH and UPL funding.
 - Data provided is not transparent and appeared to contain mistakes.
 - The Final Audit rule did not intend to recoup any funds until 2014, when the states are required to audit the 2011 program year. HHSC was required to file this report to ensure DSH funding would continue to flow in Texas.
- A subsequent audit of Parkland was conducted by CMS to review the 2007 Clifton Gunderson audit.
- A training session will be held in summer for the fiscal year 2008 Medicaid DSH audits by Clifton Gunderson.
 - This training sessions is imperative to assure you submit detailed data correctly to assure appropriate DSH caps that are used to calculate DSH and UPL funding.



Example of Model To Estimate Impact

Dollars in Millions	2011 (Sept- Dec)	2102	Annual Loss
Medicaid Legislative Impact			
Impact of New SDA	(\$3.8)	(\$11.3)	-15%
Implementation of Outpatient Fee Schedules & 10% cuts	(\$0.2)	(\$0.7)	-10%
Impact of Unnecessary ER Visits	(\$0.1)	(\$0.3)	-20%
Impact of NICU Reductions	(\$0.2)	(\$0.5)	-10%
Impact on DSH cap From Lower Payments	\$0.6	\$1.8	12%
Convert DRG Methodology to APR-DRGs in 2012 (unknown)			
Net Loss of Public Hospital UPL Under Managed Care Expansion	(\$0.3)	(\$5.8)	-34%
Impact on Private UPL Under Managed Care Expansion	(\$0.1)	(\$2.9)	-10%
Lack of Funding for Expiration of Stimulus FMAP	(\$5.3)	(\$15.8)	-26%
Reduction in Trauma Funding to \$58 million	(\$0.3)	(\$0.9)	-19%
10% Reduction in CHIP & CHIP Perinate	(\$0.2)	(\$0.5)	-10%
Physician Group Legislative Impact			
Physician Payment Cuts of 10% for Medicaid & CHIP	(\$0.1)	(\$0.3)	-10%
Physician UPL program	\$0.1	\$0.2	2%
Health Plan Legislative Impact			
HMO SDA Reductions for Medicaid and CHIP (neutral to HMO as premium reductions passed to providers)	\$0.0	\$0.0	0%
Elimination of FREW Incentive	(\$0.2)	(\$0.6)	-1%
Reduction of Administrative Fees (2-3%)	(\$0.2)	(\$0.5)	-2%
Withold Quality Incentive of 1% with goal of 90% of HEDIS indicators	(\$1.0)	\$0.5	-1%
TOTAL Estimated Impact	(\$11.2)	(\$37.6)	-10%