

Texas Medicaid Health Care Update 2011

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Esteemed Panelists

- **Shawn Barnett - Regional CFO, CHRISTUS Santa Rosa Health System**
- **Susan Turley, CPA - Chief Financial Officer, Doctors Hospital at Renaissance - McAllen**
- **Eddie Read - Vice President Finance, Driscoll Childrens Hospital**



Presentation Outline

- I. Texas Legislature
- II. Budget
- III. Medicaid
- IV. Panelists
- V. Q&A Time



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Scott & White Healthcare



Scott & White Healthcare

- 8 Hospitals + 3 others affiliated + 1 under construction
- 60+ Clinic locations
- Over 900 Physicians and Scientists
- Over 1,200 Providers (includes physicians and non-physician providers)
- More than 400 Residents and Fellows in 30+ programs
- More than 25,000 square miles coverage
- Health Plan with 250,000 covered lives



Scott & White Healthcare

- Roughly 20% Medicaid
- General Acute Hospitals
- Rural Hospitals
- Physicians
- SWHP was awarded Central Texas Region in managed care expansion
- Currently around 15,000 PCCM covered lives



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82nd Texas Legislature



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Biennial Budget Process

- Governor's Vision
- LBB sends out LAR
- Comptroller Estimate
- LBB prepares draft
- Filed in both houses
- Conference Committee
- Certified by Comptroller
- Signed by Governor



2012-2013 Budget was short \$27 Billion

- “Shortfall” means the amount to maintain current services
- \$3.2 billion from Rainy Day to cover 2010-2011 obligations
- Health Care and Education took the biggest hits
- House Bill 1 underfunded schools by \$8 billion and Medicaid by \$4 billion
- “Cut and Save”, rather than “Create and Spend” approach



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Why \$27 Billion Shortfall?


- Antiquated Tax Structure
- Economy
- Loss of Stimulus
- Soaring Health Care Costs



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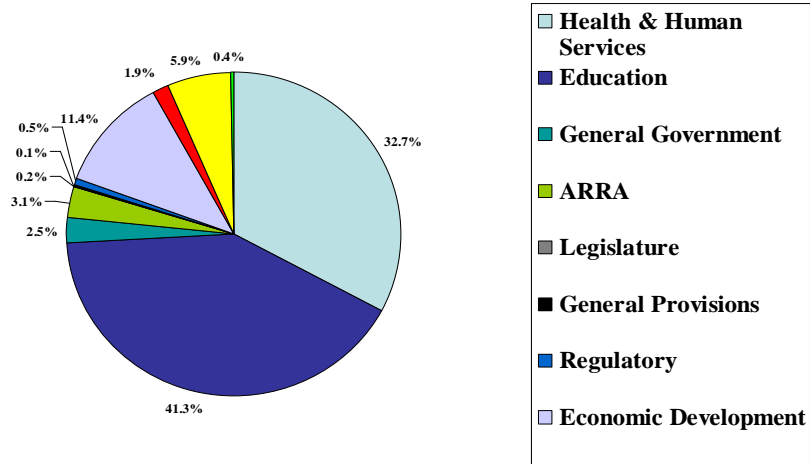


\$27 Billion Budget Shortfall No \$ = No Legislation

<u>Bills Filed</u>	<u>2009</u>	<u>2011</u>	
Senate	2439	1871	-568
House	4697	3801	-896



2010-2011 Biennial Budget \$182,188,000,000



Texas Comptroller: “State Health Care Spending”

- “In fiscal 2009, more than 50 Texas state agencies spent more than \$30 Billion in state, federal, and other funds on Health care.”

“That’s more than a third of all state spending.”

“In five years between 2005-2009, costs increased by 36.1%”

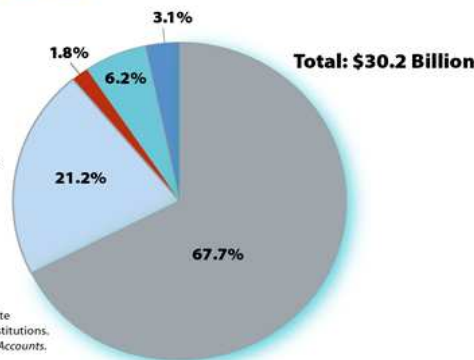


Texas Health Care Expenditures

EXHIBIT 1
TEXAS HEALTH CARE EXPENDITURES

Fiscal 2009 (In Billions)

- Medicaid and CHIP Services
- Prisoner Health Care
- State Employee and Retiree Medical Benefits
- Mental Health Services
- Other

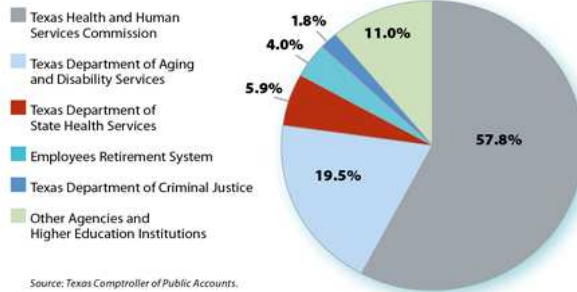


Note: All funds appropriated to state agencies and higher education institutions.
Source: Texas Comptroller of Public Accounts.



89% by 5 State Agencies

EXHIBIT 5
SHARE OF ALL HEALTH CARE SPENDING
Fiscal 2009



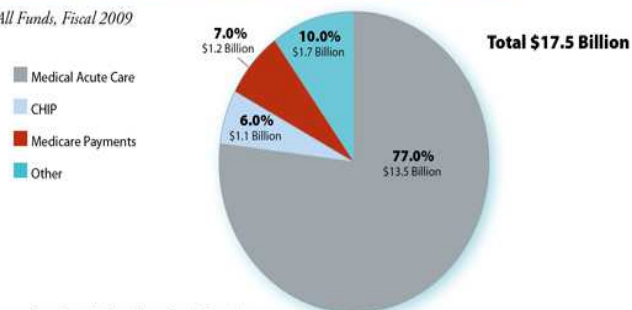
Source: Texas Comptroller of Public Accounts.



HHSC Spending

EXHIBIT 6
TEXAS HEALTH AND HUMAN SERVICES COMMISSION HEALTH CARE SPENDING

All Funds, Fiscal 2009



Source: Texas Health and Human Services Commission, Texas Comptroller of Public Accounts.



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Medicaid: Unsustainable Program

- **\$13.5 Billion on Medicaid in 2009**
- **28.2% of Texas' State Budget**
- **Spending rose 46% from 2005 to 2009**
- **Enrollment rose 78% from 1999 to 2009**



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How Does the State Pay For Increasing Health Care Costs?

- **Limiting Eligibility**
- **Decreasing Reimbursements (10%)**
- **Quality Assurance Fee (Defeated)**
- **Medicaid Waiver ***



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Is Health Care (Payment) Reform Necessary?

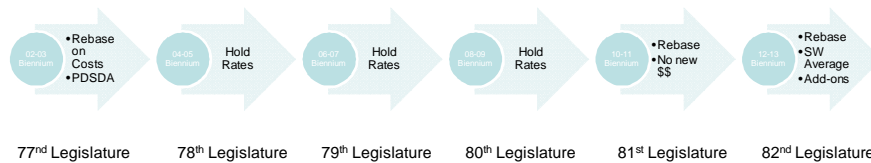
- **Medicare - .88 cents/\$1 of cost**
- **Medicaid - .53 cents/\$1 of cost**
- **Self Pay - .01 cent/\$1 of cost**
- **Uncompensated Care continues to rise**
- **Cost is shifted to the remaining commercial and managed care patients**
 - This group continues to shrink



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Sequence of Rate Changes/ How did we get here?



Where does this leave us?

- SDA Rates
 - Previously hospital-specific based on cost
 - Rewarded waste and inefficiency
 - No incentive to reduce Medicaid costs
 - A few high cost cases could skew the base
 - Now based on statewide universal mean (UM)
 - Medicare styled
 - Includes add-ons for
 - Wage Index (uses Medicare wage indices)
 - Teaching (based on Medicare IME)
 - Trauma (based on Trauma level designation)
 - Hold Harmless (one-time, this year only)



Where does this leave us?

Hospital	Base UM	Funds Base Adj.	Wage Index Add-on	IME Add-on	Trauma Add-on	SDA with Applicable Add-on	Final Add-on SDA with HH	% Cost
SWMH	\$2,882.43	\$132.07	\$191.93	\$699.77	\$368.95	\$4,275.15	\$4,275.15	73%
SMC Brack	\$2,882.43	\$132.07	\$337.05	\$395.24	\$368.95	\$4,115.74	\$4,115.74	60%
UHS Bexar Cty	\$2,882.43	\$132.07	\$236.08	\$885.69	\$368.95	\$4,505.22	\$4,505.22	53%
UMC - El Paso	\$2,882.43	\$132.07	\$129.74	\$783.70	\$368.95	\$4,296.89	\$4,296.89	79%
DHR	\$2,882.43	\$132.07	\$195.15	\$0.00	\$0.00	\$3,209.65	\$3,209.65	69%
Christus - SR	\$2,882.43	\$132.07	\$236.08	\$95.67	\$40.35	\$3,209.65	\$3,209.65	46%

- Comparatives
 - SWMH – Scott & White Memorial Hospital
 - SMC Brack/UHS Bexar Cty/UMC El Paso – large hospitals South Texas hfma
 - DHR/Christus SR – represented on panel



Other Changes

- Deliveries
 - Elective < 39 weeks will not be paid
 - All deliveries must have a U modifier
 - U1, medically necessary < 39 weeks
 - U2, > 39 weeks
 - U3, not medically necessary < 39 weeks
- Outpatient Imaging
 - Paid at 100% Medicare APC rate
- Non-emergent care in ED
 - ED Levels I-III paid at 60%



Other Changes

- Physician Services - no further reductions
- Physician ED Services - already reduced
- OP Services
 - Was 98%*84.48%(HV)*Allowable cost or 98%*82.27%(LV)*Allowable cost
 - Now 98%*73.06%(HV)*Allowable cost or 98%*71.50%(LV)*Allowable cost
- Rural Hospitals - No longer greater of cost or SDA; just cost
- Future
 - Medicaid Managed Care
 - PPS for all
 - EAPG for OPPS



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Medicaid Managed Care 1115 Waiver Proposal

- Managed care model throughout state
- Payment based on Quality rather than Quantity
- Rewards innovative health care models



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Next...

We'll hear from our
Panel



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Questions?

