State of the State

March 17, 2011

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California Hospital Association

State of the State

- State Budget
- Hospital Fee Program
- Medi-Cal Waiver
- Federal Healthcare Reform

California Snapshot

California Landscape:

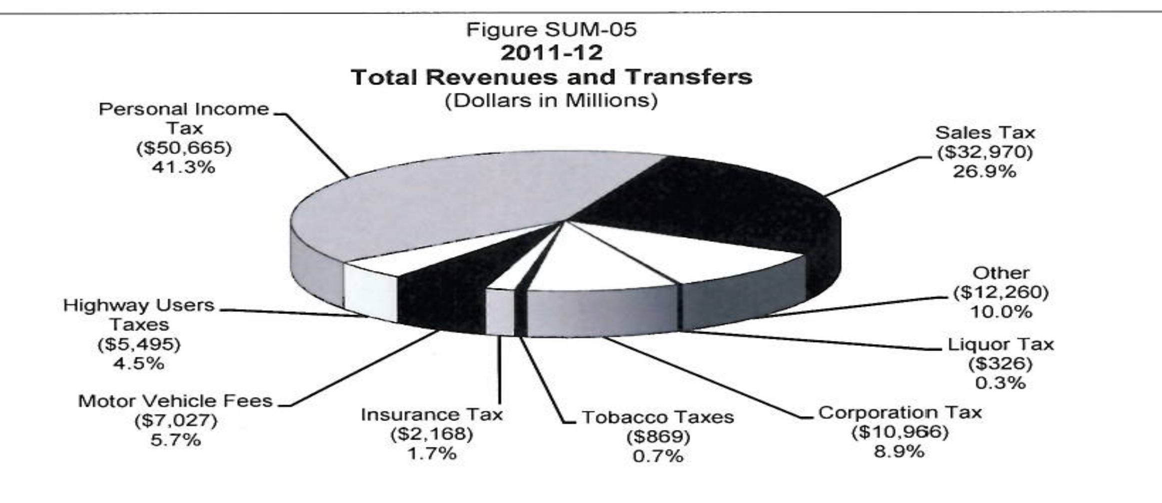
- 7.3 million on Medi-Cal
- Medi-Cal is lowest reimbursement in US
- $12.5 billion in ***unpaid care***
- Unfunded state mandates
- High-cost of technology adoption
- Uninsured estimated as high as 8.2 mill
- Unemployment rose from 5.4% to 12.3%

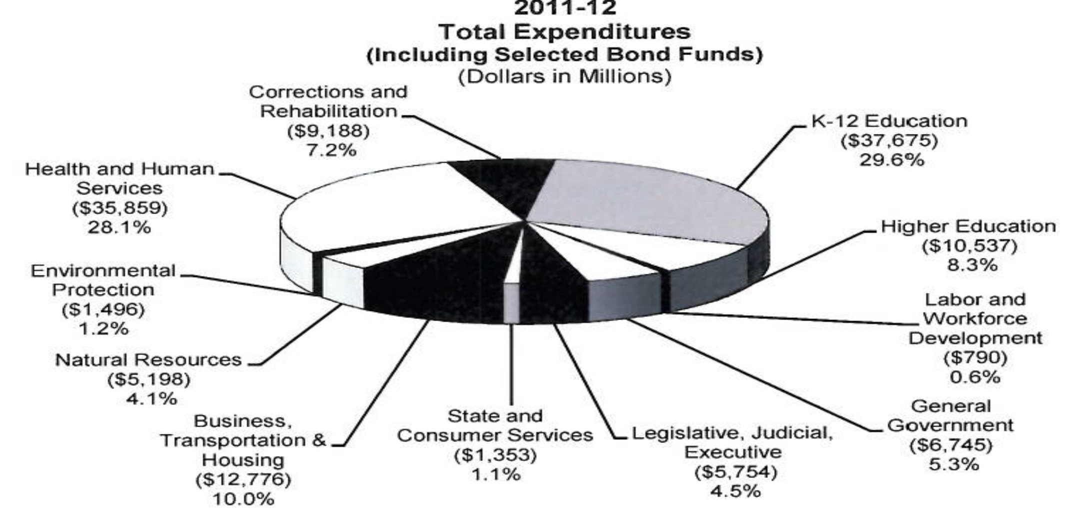
California Snapshot

- Only 3 CA teams made it into the NCAA tourney!

- The Current Budget Deficit
- Estimated at $26 Billion for FY 2011-2012
- Overall Plan?
  - Cut Spending by $13 Billion
  - Extend taxes on income, sales, and vehicle registration through June ballot initiative

CA Budget Overview





CA Budget Overview

Cuts to Medi-Cal Still in the Budget

- Co-Pays for Beneficiaries
  - $50 Co-pays for ER Visits
  - Inpatient Co-pays
    - $100/day not to exceed $200 per visit
    - Estimated Impact on CA hospitals = $ 286 Million
- Cuts to DP/NF – 10% off of 2008-2009 rates

CA Budget Overview

Budget Conference Committee Recent Developments -

- Soft Cap on Physician Visits of 7 per year – Doctor's could certify if additional visits were medically necessary

- $55 Million in "MADDY" funds re-directed to Medi-Cal

CA Budget Overview

Negotiations with Governor

- Administration's Goals
  - Save $38 Million in 2011-2012 from Medi-Cal
  - Save $107 Million in 2011-2012 from Medi-Cal and obtain $320 Million for the General Fund through a future fee program

CA Budget Overview

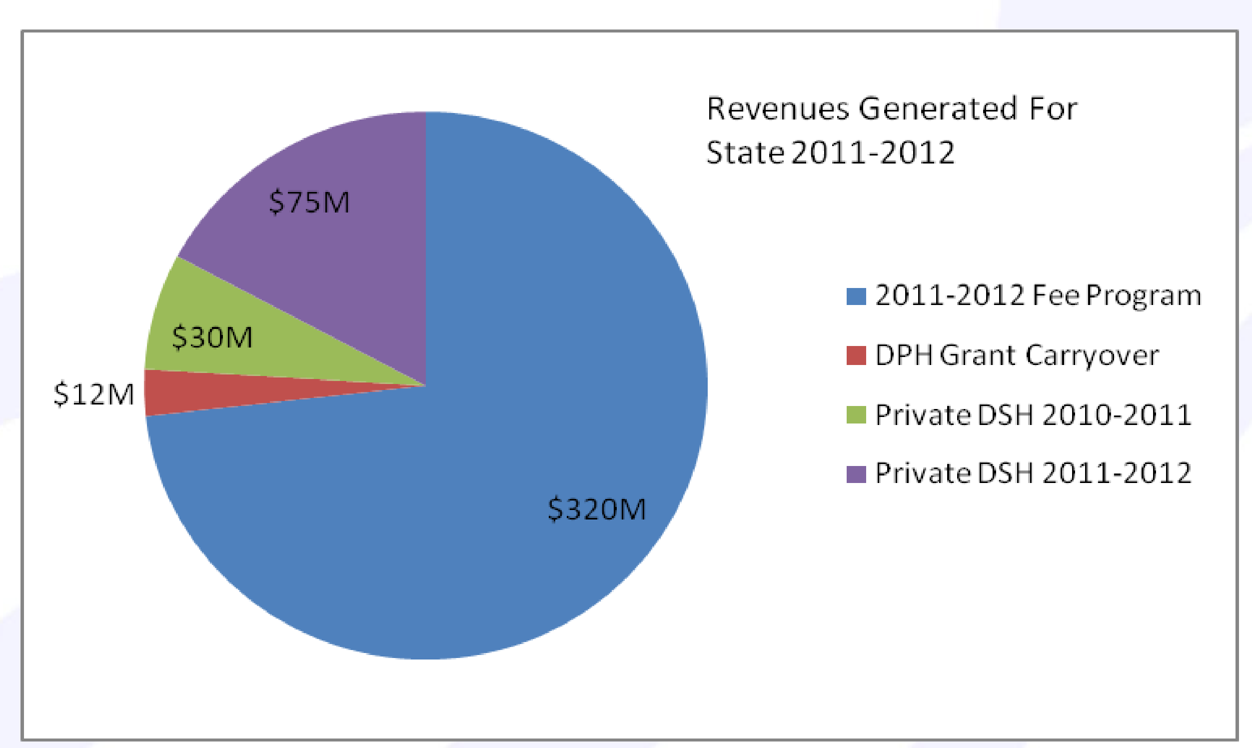
Savings Needed

2010-2011	2011-2012
$38M in Savings	$107M in Savings
	$320M in GF relief

How Accomplished

$38M from Grant	$12 M from Grant
	$30M from Private DSH current
	$75M from Private DSH future
	$320M in GF Relief

CA Budget Overview



CA Budget Overview

Additional Items

- Seismic Regulatory Relief
- Eliminate Rate Freeze from last budget year (implemented in late January – currently TRO in place)
- Prospectively eliminate10% Inpatient rate cuts (and CMAC -5% language)

CA Budget Overview

Additional Items (Continued)

- Dismiss the pending CHA lawsuits on rate cuts and freezes
- Move to a DRG based system by July 1, 2012

Hospital Fee Programs

- Current (April 2009 – December 2010)
- 6 Month (January 2011 – June 2011)
- Future (July 2011 – June 2012)

Hospital Fee Programs

Why a fee?

Severe Underfunding of Medi-Cal

- Lowest rates in the Country
- $3,168 spending in CA per enrollee
- $5,163 national average spending per enrollee
- $7,000 + in some states per enrollee
- In 2009, California Hospitals lost $4.6 Billion in actual costs for treating Medi-Cal patients

Hospital Fee Program - Current

2009-2010 Fee Program		Estimated Total Fee	Estimated Total New Fee For Service Payments	Estimated Total New Managed Care Payments	Total Estimate of Program
SCHEDULE		$ 3,068,061,014	$4,446,389,188	$ 1,277,058,000	$ 2,655,386,174
Fee Due	10/8/2010	$ 722,162,398			
FFS Pmt	10/25/2010		$ 1,005,319,405		
Fee Due	11/1/2010	$ 729,583,300			
FFS Pmt	11/15/2010		$ 1,021,572,270		
Fee Due	11/22/2010	$ 772,741,160			
FFS Pmt	12/6/2010		$ 1,116,094,325		
Fee Due	12/13/2010	$ 735,031,929			
FFS Pmt	12/27/2010		$ 1,033,505,569		
Mgd Care Pmt	End of Feb	$ 85,000,000		$ 1,069,462,011	
Mgd Care Pmt	End of March			$ 207,537,989	
FFS Pmt	End of March		$ 155,000,000		
		Actual Net Benefit			$ 2,563,972,782

Hospital Fee Program – 6 Month

6 Month Fee Program Summary (SB7)

Main Changes

- Non-Designated Publics and Designated Publics no longer participate
- Companion program for NDPH's to access increased funding through IGTs
- 56.28% FMAP (Down from 61.59% in 2010)

Hospital Fee Program – 6 Month

What Stayed the Same?

- Overall Structure – Fees and Supplemental Payments
- Payments to state for Children's Coverage- $211 Million

Hospital Fee Program – 6 Month

Overall

- $1 Billion in Fees (likely 2 cycles)
- $211 to State GF and for admin cost
- Almost $1.1B in Federal Matching Funds
- FFS Payments of $1.5 Billion
- Managed Care Payments of $323 Million
- Overall Net Benefit ~ $850 Million for Six Month Program

Hospital Fee Program – 6 Month

- Likely will be 2 payment cycles

- Two Supplemental FFS payments 2 weeks following fees due

- One cycle for managed care payments

Hospital Fee Program – 6 Month

6 Month Program		Estimated Total Fee	Estimated Total New Fee For Service Payments	Estimated Total New Managed Care Payments	Total Estimate of Program
SCHEDULE		$ 1,041,775,665	$ 1,576,511,557	$ 323,707,256	$ 858,443,148
Fee Due 1		$ 520,887,833			
FFS Pmt 1			$ 788,255,779		$ 267,367,946
Fee Due 2		$ 520,887,833			
FFS Pmt 2			$ 788,255,779		$ 267,367,946
MC Payment				$ 323,707,256	$ 323,707,256
		TOTAL ESTIMATE			$ 858,443,148

IGT Program – Companion to Fee

Program for Non-Designated Public Hospitals to use IGT's

- Points based system
- Earn Points for Hospital Designation, Charity Care, Bad Debt, % Medi-Cal
- Hospitals will have option to participate and put up IGT funds to secure federal match
- Net Benefit of FFS program about $36 M
- Possibility of creating an IGT program for Managed Care as well

2011 – 2012 Fee Program

The Future of a Fee Program

- Two spot bills in legislature – SB335 (Hernandez/Steinberg) and AB62 (Monning)

- We lose the higher FMAP effective July 1, 2011. California reverts to 50/50 match

2011 – 2012 Fee Program

The Future of a Fee Program

- $320M will go to the state

- Congressional Attention to fee programs – possibility of reducing size of such programs going forward

California's Medi-Cal Waiver

"Bridge to Reform Waiver"

- Coverage Expansion
- Federal Funding
- Transition to 2014

Medi-Cal Waiver: Coverage Expansion

- “Bridge to Reform” Medi-Cal Waiver
- County-based coverage from now until 2014 “Low Income Health Program”
- County expense becomes “CPE” and draws federal matching funds
- All counties have applied, except Stanislaus
- CMSP application in process – rural county indigent care program

Medi-Cal Waiver: Coverage Expansion

Key Elements:

- Expand coverage up to 200% FPL
- Improve care coordination
- Prepare for enrollment into Medi-Cal or the Exchange in 2014
- Up to 133 FPL is “MCE”
- 134 up to 200 FPL is “HCCI”
- If county participates, MCE required, HCCI optional

Medi-Cal Waiver: Coverage Expansion

How the Spending Pencils Out

County indigent care for up to 133 FPL	$210 million	$230 Million
County indigent care for up to 200 FPL	$ 20 million	
County care for undocumented	$ 10 million	
Total	$240 million	

Federal Financial Participation LIHP $115 million

Expand HCCI, invest in delivery systems/requirements, build reserves, increase access through improved provider rates?

Medi-Cal Waiver: Transition to 2014

2014

MCE up to 133% FPL	→	Medi-Cal
HCCI 134-200% FPL	→	Exchange

Transition to 2014

Medicaid Program Expansion:

A federal matching rate of 100% will be provided to the state for newly eligible individuals. The federal matching rate will decrease over time,

2017 = 95%
2018 = 94%
2019 = 93%
Thereafter 90%

Federal Health Care Reform

Beginning in 2014, the **Medicaid program will be expanded** to cover non-elderly individuals, including parents; children; and childless adults, up to 133% of the federal poverty level (FPL).

Six months after enactment, any group plan or plan purchased on the individual market that provides **dependent coverage for children, must continue to offer such coverage until the child turns 26**.

Creation of a High Risk Pool:

90 days after enactment, a $5 billion national high-risk insurance pool will be developed to allow individuals with a pre-existing medical condition, who currently are unable to purchase private health insurance, to access insurance.

"Private insurance companies will be prohibited from denying coverage to children due to a pre-existing condition."

The Latest on HCR

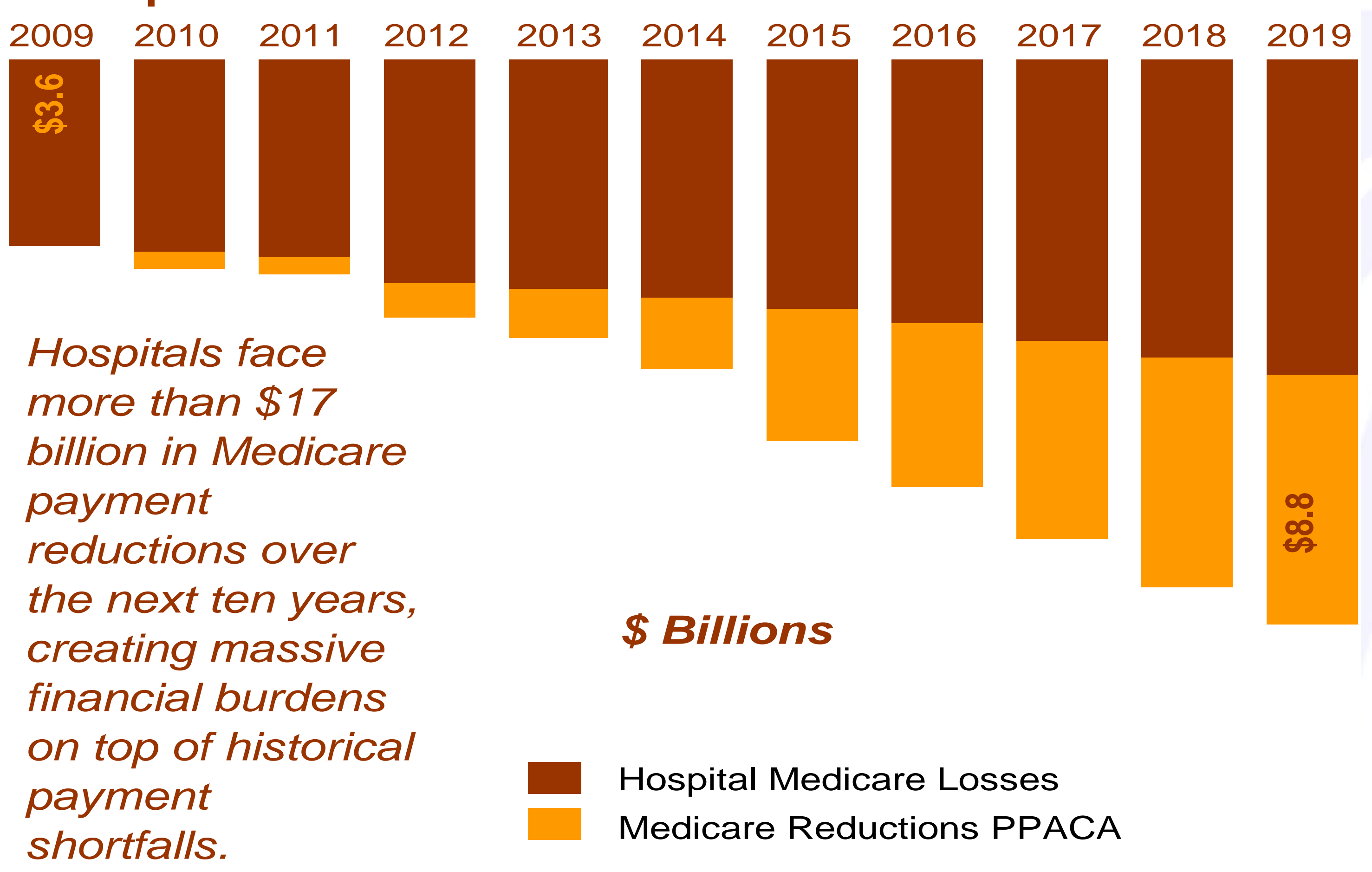
Value Based Purchasing

ACO's

Medi-Cal HACs and RACs

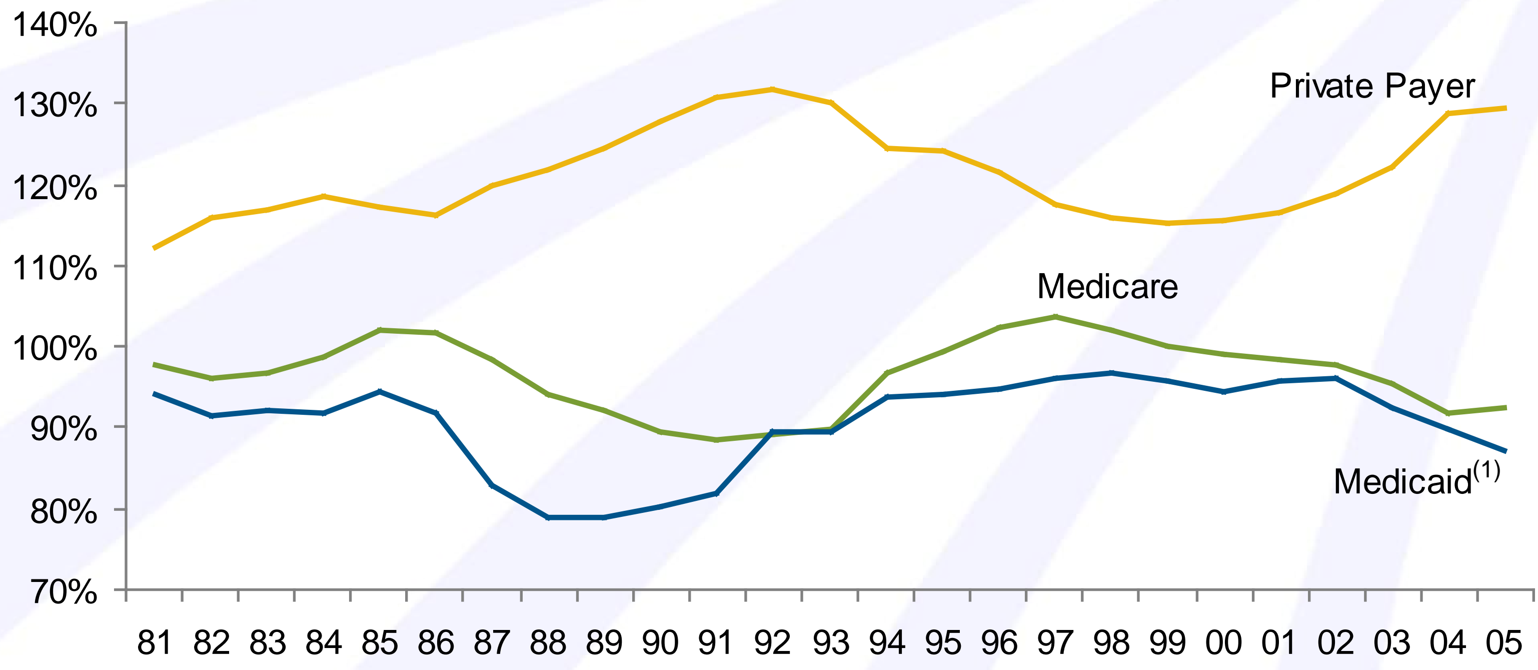
V5010 Transaction Set and ICD-10 Conversion

Health Care Reform



Health Care Reform

Hospitals have historically "shifted" uncompensated care to the commercial market to offset government program underfunding.



Healthcare Reform

Alignment and Value are Critical

- Delivery system reforms
  - Diverse relationships between providers
  - Creatively and collaboratively manage care
  - Payment system “changes”
  - Increased government “integrity” activities
  - Sophisticated technology required

Healthcare Reform

Workforce:

- Expanding access will increase demand
  - Some projections say 125,000 MDs short by 2025 (nationwide)
  - Nurses - may be 1 million short 2020 (nationwide)
  - Specialized IT talent – Now
  - Necessary strategic leadership capacity

Healthcare Reform

Quality and Cost Control:

- Convergence of quality/pay = value:
  - Greater emphasis on outcomes
  - Evolve from payment for service to payment for whole person or episode of care
  - Higher quality care equals more efficient care
  - Investments required (IT/Structure/Oversight)

Healthcare Reform

Transparency:

- Greater regulatory scrutiny:
  - Private insurance companies
  - Increased difficulty in negotiations
  - Consumer protections (caps on out of pocket, lifetime benefits, bans some exclusions)
  - Hospitals must demonstrate value in charges

Thank you!

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