

# **Southern California Chapter Healthcare Financial Management Association**

Chapter Education  
Program


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Long Term Care Track



# California Budget Outlook and Reimbursement Update

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# California Outlook and Reimbursement Update Overview

- Status of National and State Economies
- State Budget
  - Special Session Outcome
  - Forecast
- National Issues
  - Stimulus
  - Federal 2010 Budget
  - Health Reform

# Overview - State Issues Continued

- Other State Issues
  - Future of AB 1629
  - QAF Lawsuit
  - Medi-Cal Intermediary Re-procurement
  - Staffing Ratios
  - Legislation of Interest

# Overview – National Issues Continued

- Program Integrity
- Medicare Selective Contracting
- MAC Transition
- Five Star Rating System
- MDS 3.0 Delay

# Economic Uncertainty Prevails

- Uncertain = unknown; questionable; problematical; not sure or certain in knowledge; doubtful; vague, not definite or determined, liable to vary or change; not dependable or reliable; not steady or constant; varying. (Webster's)
- Uncertainty = lack of certainty = lack of sureness at times approaching guesswork.

# Global Economic Problem

- World/Global Economy
- Unprecedented Conditions
- Credit Crisis
- Uncertainty Prevails

# National and State Economies

- National
  - Unemployment
  - GDP
  - Housing
- State
  - Unemployment
  - GDP
  - Housing

# State Budget Issues

- The way we were on February 20, 2009.
- Outcome of Special Session
  - Revenue Enhancements
  - Expenditure Reductions
  - Impact of Federal Stimulus
  - May Revision Perspective
- State Cash Flow Management
- 2008/09 Retroactive Payments

## Where We were on February 20, 2009 -Deficit Budget

- Current Year 2008/09 coupled with Budget Year 2009/10 = \$41 billion deficit.
- Special Session concluded February 19.
- Governor signed legislation February 20. Vetoed an additional \$800 million.
- Solution for Current Year FY 2008/09 and Budget Year FY 2009/10.

# Budget Solution Summary

- Net \$42 billion combination of expenditure reductions (cuts), revenue enhancements (tax increases), and borrowing that carries the State through June 30, 2010.
- Expenditure Reductions - \$14.9 billion
- Revenue Enhancements - \$17.5 billion (Tax Increase \$12.5 billion – State lottery \$5 billion)
- Borrowing - \$ 9.6 billion (estimated)
- Special Election Required

# Revenue Enhancements/ Borrowing

Major Revenue Enhancements = \$17.5 billion  
(Tax \$12.5 billion – State lottery \$5 billion)

- Sales Tax - \$5.75 billion (1 cent increase)
- Vehicle License Fee - \$2.1 billion (\$620 million dedicated to law enforcement)
- Personal Income Tax - \$3.7 billion
- Dependent Credit Reduction - \$1.4 billion
- Lottery Modernization - \$5 billion

# Expenditure and Other Reductions

Total Expenditure and Other Reductions = \$14.9 billion

- Education - \$8.4 billion for Prop 98
- Health and Human Services - \$1.5 billion by eliminating COLAs and cutting payments to Regional Centers for the developmentally disabled. (Some cuts could be restored based on federal relief).
- State Employee Payroll - \$1.4 billion – furloughs, reduced overtime, and loss of paid holidays. (Maybe modified by recent labor agreements).

# Expenditure and Other Reductions Continued

- Prop 63 (Mental Health) Adjustment - \$225 million
- Prop 10 (Tobacco Tax) Adjustment - \$608 million
- Other - \$2.6 billion

# Special Election May 2009

Constitutional amendment required.

- Establish an open primary system June 2010 affects races in 2012 and beyond. (Added for Sen. Abel Maldonado)
- No legislative pay increases during deficit years.

# Special Session – Highlights State Budget Solution

- No cuts to 2008/09 long term care rates. (Retro payments in process).
- AB 1629 Funded at 5% for FY 2009/10. (Actual rates facility-specific).
- Other LTC categories retained funding for FY 2009/10. (Actual rates adjustment based on SPA).
- Federal stimulus (Temporary Medicaid FMAP could relieve cuts to other areas of Medi-Cal).
- Regional center reductions (10% rates) will indirectly impact developmental services providers.

# May Revision Perspective

- Solution through June 30, 2010
- No formal May Revision but likely assessment process.
- Concerns
  - Economic downturn likely to continue – 2010.
  - Will revenue projections be on target?
  - Will expenditures be higher than anticipated?
- Budget Change – Another Special Session?

# State Cash Flow Management

- State Controller's (SCO) Forecast.
- Status – Medi-Cal Payment Delays.
- Value of Claims (VOC) Letters
- Planned June delays.

# State Cash Flow Management SCO Forecast

- Rising unemployment and the weakening economy eroded revenues by \$ 1 billion in February.
- February payments held to mitigate \$3.5 billion negative March (GF) balance have resumed.
- Projected negative GF balance of \$600 million by April 15.

# State Cash Flow Management Status - Medi-Cal Payment Delays

- March Delay – Warrant release date of Thursday March 26 (EFT Monday March 30) to be held until Thursday April 23 (EFT Monday April 27).
- Proposed April delays (Warrant Mailed/EFT)
  - Thursday April 2/Monday April 6.
  - Thursday April 9/Monday April 13.
  - Thursday April 16/Monday April 20.

# State Cash Flow Management Medi-Cal Payment Delays

- Normal weekly checkwrite resumes with warrant release date of Thursday April 23 and EFT settlement date of Monday April 27.
- Delayed March 30 payment included with Thursday April 23/EFT settlement Monday April 27.

# State Cash Flow Management Proposed April Payment Delays

- Proposed April delays (Warrant Mailed/EFT)
  - Thursday April 2/Monday April 6.
  - Thursday April 9/Monday April 13.
  - Thursday April 16/Monday April 20.
- April Delay Payments
  - April 2/ April 6 – Paid April 30/ May 4.
  - April 9/ April 13 – Paid May 7/ May 11.
  - April 16/ April 20 – Paid May 14/ May 18.

# State Cash Flow Management Payment Delays

- If April Payment Delays – Normal payments resume with warrant release date of Thursday April 23 and EFT settlement date of Monday April 23.
- Delayed April payments to be paid (on dates noted) along with other claims normally payable on those dates.
- Payments from COHS not impacted.

# State Cash Flow Management Value of Claims (VOC) Letters

- Voc Letters will be issued by the Department of Health Care Services for each week that a payment delay occurs.
- Claims held at \$5000 or more automatic.
- VOC letter to specify the amount of claims payments \$5000 and above being held because of the March/April payment delays.
- VOC letters for banks and lenders.

# State Cash Flow Management Planned June Delays

- Budget Management as opposed to cash flow.
- Warrant release date Thursday June 25/EFT settlement Monday June 29 won't pay until July 1.
- If necessary – Warrant release date Thursday June 18/EFT settlement Monday June 22 won't pay until July 1.

# National Issues - Federal Stimulus

- Medicaid Relief to States
- Prompt payment requirement
- Health Information Technology (HIT)
- COBRA
- Biomedical research
- Comparative effectiveness
- Prevention and Wellness

# National Issues - Federal Stimulus Long Term Care Impact

- Medicaid Relief to States – Enhanced FMAP
  - Total = \$87 billion (+ 6.2%).
  - Runs 9 QTRs = 10/1/08 – 12/31/10.
  - High unemployment add-on.
  - California Estimate = \$11.2 billion.
- Prompt payment = 90% - 30 days.
- Moratorium on certain Medicaid Regs.
- HIT/Workforce Grants

# National Issues

## 2010 Federal Budget

- Full details Mid April
- Medicare Reductions
  - Likely no market basket adjustment.
  - Post acute payment bundle.
  - Survey/cert re-visit fee.
  - Program Integrity/Accurate Payment.
- Medicaid Reductions
  - Program Integrity/Accurate Payment

# Federal Budget Future Outlook

- Medicare and Medicaid Funding Reductions
  - FY 2010 – 2014 = \$83.7 billion
  - FY 2010 – 2019 = \$316.0 billion
- Achieved through
  - Bundled hospital and post acute payment
    - To address the 30 day readmission dilemma
  - RUGs changes (STRIVE)
  - Program Integrity Enhancements
  - Private Sector Accurate Payment Enhancements

# National Issues Health Reform

- White House March Conference
  - President and Senior White House Officials
  - Members of Congress
  - Stakeholders
  - Consumers
- Focus – Costs, expanded coverage, and improving quality.
- Post acute bundling component.

# National Issues Health Reform Continued

- Health Team Appointed
  - Kansas Governor Kathleen Sebelius as HHS Secretary.
  - Nancy-Ann DeParle to head Office of Health Reform.
  - Dr. Don Berwick as CMS Administrator.

# Federal Issues

- Medicare
  - Strive/MDS 3.0 Delay
  - MedPac Recommendations
- MAC Transition (PM Session)
- Medicare Program Integrity
- Medicare Selective Contracting
- Five Star Rating System
- Card Check

# Federal Issues - Medicare

- MDS 3.0 Delayed until October 2010.
- MedPac Recommendations
  - No market basket update.
  - Replace therapy component with separate non-therapy ancillary component.
  - Improve accuracy in reporting of diagnostic and services.
  - Establish quality incentive payment.

# Medicare Program Integrity Update

- RACs permanent program begins in 2010.
  - Protest resolved February 2009.
  - PRG Shultz and Viant will be subcontractors. In Ca – PRG subcontractor to Health Data Insights.
  - Upcoming contact with provider associations for outreach.
- Investigate financial relationships between, hospices, SNFs, and Assisted Living.

# Medicare – Selective Contracting Update

- CMS Interim Final Rule Issued
  - January 2009
  - New Federal advisory committee – Consumers, practitioners, accrediting organizations, supplier's financial standard experts.
- No New Timeline
  - Re-compete
- Disclosure/Document Review

# AB 1629 Future Issues

- Extended through July 2011
- Funding at 5% Budget CAP for 2009/10 and 2010/11
- AB 1629 Workgroup
- Community Diversion

# 1629 Workgroup

- Requirement
- Process
- Recommendations
- Report
- Perspective
- Web/Information Access =  
[Http://www.dhcs.ca.gov/services/medical/Pages/SNFQualityWorkgroup.aspx](http://www.dhcs.ca.gov/services/medical/Pages/SNFQualityWorkgroup.aspx)

# AB 1629 Workgroup Requirement

- AB 1183 2008/09 Budget Trailer Bill
  - The Trailer Bill also required the Department to convene an 18-member workgroup of interested stakeholders to make recommendations to the Department regarding the current SNF reimbursement system.
  - The stakeholder workgroup shall meet a minimum of six times through December 31, 2008.

# AB 1629 Workgroup Process

- In developing recommendations, the stakeholder workgroup shall consider the structure of, and potential changes to, the facility-specific rate setting system that may improve the quality of resident care.

# AB 1629 Workgroup Consensus Recommendations

- Timing between cost incurrence and recognition in AB 1629 rate.
- Need for cost report revision.
  - AB 1629 Rate Setting
  - Transparency/Disclosure (Not consensus)
- Importance of Training
  - Caregiver Training Pass-through

# AB 1629 Workgroup Report

- Status
- Next Steps
- Perspective

# AB 1629 – Community Diversion

- More emphasis on discharge planning and assistance.
- Documentation a key.
- Medi-Cal Pilot Projects.
  - Money Follows the Person
  - Community Choices
- Olmstead concerns

# Other State Reimbursement Issues

- Audits
- Medi-Cal (FI) Re-procurement
- Staffing Regulations
- License Fees
- Legislation

# State Legislation

- AB 1629 Workgroup Recommendations (SB 732) (AB 1472)
- Five Star Rating System (AB 215)
- Resident Medical Device/Equipment Marking/Inventory (AB 249)
- Hospital QAF (AB 1383)
- ABD Managed Care Pilot – Riverside/San Berdo (AB 1037)



**Questions?**

And  
Answers

