

NMHFMA

Legislative Wrap-up and Current Issues

April 1, 2011

Jeff Dye
President and CEO
NMHA

Peter Drucker on Hospital Management

1. *“The four hardest jobs in America (not necessarily in order) are: President of the United States, a university president, a hospital CEO, and a pastor.”*
2. *“Health care is the most difficult, chaotic, and complex industry to manage today.”*
3. *“The hospital is altogether the most complex human organization ever devised.”*



COVERAGE

- EMTALA regulations (inpatient transfers and specialty care)
- Individual responsibility requirement protection
- Mental health services (coverage, parity and access)
- Undocumented immigrants
- ACA legal challenges
- ACA implementation:
 - Enroll America
 - Health insurance exchanges (basic benefit package, subsidies, etc.)
 - Health insurance reforms
 - Medicaid coverage expansions

DELIVERY SYSTEM IMPROVEMENTS

- Access to capital
 - FHA Expansions (Section 242 program)
- Clinical integration
 - Legal barriers
 - Medicare Conditions of Participation
- Corporate practice of medicine (state)
- ICD-10 implementation
- Indian Health Service contract services
- Medical liability reform
- Treatment of federally qualified health centers
- ACA implementation
 - Accountable care organizations
 - Administrative simplification
 - Bundling
 - Center for Innovation
 - Gain-sharing
 - Medical homes
 - Medical liability reform (demonstration projects)
 - Physician self-referral
 - Price transparency
 - ✓ Medical data reimbursement centers

EXPIRING PROVISIONS

FEDERAL BUDGET

- Platforms
 - President's budget
 - Congressional budget resolution
 - Debt limit extension
 - Offsets to finance other programs (cut-go)
 - Other deficit reduction initiatives
 - Annual appropriations
- ACA implementation funding



2011 ADVOCACY AGENDA

HEALTH INFORMATION TECHNOLOGY

- Certification/grandfathering
- Eligibility for HIT funding (cancer; post-acute; psychiatric; and Puerto Rico)
- Health information exchanges
- Meaningful use/flexibility (Stage I/Stage II)
- Multi-campus

MEDICARE

- Annual regulations
 - Clinical laboratory services
 - Home health services
 - Hospice care
 - Inpatient services
 - ✓ Coding offset
 - Rehabilitation hospital services
 - Outpatient services
 - ✓ Physician supervision (possible legislation)
 - ✓ Cancer hospitals (possible legislation)
 - ✓ Reductions for multiple therapy services
 - Physician services
 - Psychiatric services
 - Skilled nursing facilities
- Annual MEDPAC recommendations
- Other key payment issues
 - Area wage index*
 - DME competitive bidding
 - LTCH participation criteria
 - Medicare service authorization issues
 - ✓ Physician/non-physician practitioners face-to-face encounter to receive home health services
 - ✓ Physician signature requirement on lab requisitions (home health/SNF)
 - Observation status
 - Premium support*
 - Rural package
 - Urban Medicare dependent hospitals adjustment

MEDICAID

- 340 expansions
- Audit rule implementation
- Hospital payment protections*
- Long-term reform*
- Presumptive eligibility of hospital patients
- Waiver process improvements
- ACA implementation:
 - DSH reductions
 - Recovery audit contractors

PERFORMANCE IMPROVEMENT

- Care at the end of life
- Medicare Conditions of Participation (deeming requirements)
- Patient safety organizations
- Patient safety initiatives
- Public reporting of quality data
- Quality improvement organizations
- Spending variation (spending variation)
- ACA implementation:
 - Disparities in care (reporting requirements)
 - Hospital acquired conditions (legislation)
 - National quality strategy
 - Patient centered outcomes research/initiatives
 - Quality reporting
 - Readmissions (legislation)
 - Spending variation (studies)
 - Value-based purchasing

PREVENTION & WELLNESS

- ACA implementation
 - National Prevention, Health Promotion and Public Health Council
 - Prevention and public health fund

REGULATORY RELIEF

- Misuse of False Claims Act
 - Defibrillator implantation
 - Kyphoplasty
- Recovery audit contractors

TAX

- Tax-exempt status
 - ACA implementation
 - ✓ Community benefit assessment
 - ✓ Discounts for uninsured patients
 - Form 990/Schedule H data collection project
- Other (ACA) provisions:
 - Medical device tax (offset)
 - 1099 reporting/compliance (offset)

WORKFORCE

- Health manpower supply
 - Foreign physician and nurse supply
 - Increased Medicare GME slots
- NLRB, DoL and other regulatory initiatives
- Scope of practice (state)
- ACA implementation:
 - National Workforce Commission

Hospital Payments Under Siege

Medicare

Minus
Readmissions Penalty
FFY 2013

Minus
Quality Pay-for-Reporting
Reduction for Non-Compliance
currently applied

Minus
Healthcare-Acquired
Conditions Penalty
FFY 2015

Minus
Meaningful Use
Reduction for
Non-Compliance
FFY 2015

Minus
Value-Based
Purchasing Pool
Carve-Out
FFY 2013

Minus
Coding
Adjustment
FFY 2011

Minus
Pre-Determined
Reductions
currently applied

Minus
Growing
Underfunding of
Sole Community
Provider Match

Minus
Productivity
Offset
FFY 2012

Minus
Medicare
Disproportionate
Share Hospital
(DSH) Cuts
FFY 2014

County Funding

Medicaid

Minus
Direct
Outpatient
Payment
Cuts
11/1/2010

Minus
Defaults to
90% FFS
for Salud
Rates
11/1/2010

Minus
Limited Non-
Medically
Necessary ER
Services
11/1/2010

Minus
Medicaid
Recovery Audit
Contractors
(RAC)
4-1-2011 ?

Minus
Medicaid
Disproportionate
Share Hospital
(DSH) Cuts
FFY 2014

Minus
Non-Payment
for Hospital-
Associated
Conditions

Commercial Payers

Minus
Lowering
Hospital E&M
Code to ED
Physician Code

Minus
Readmission
Non-Payment
4-1-2011?

Plus
Medicaid
Payment to
PCPs
FFY 2013

Minus
Limits on 340B
Drug Savings
Pass-through
11/1/2011

Minus
Non-Payment
for Hospital-
Associated
Conditions
7/1/11

Health Delivery Reform

(informal and formal)

- Accountable Care Organizations (ACO)
 - Bundling
 - Hospital Readmissions
 - Value-Based Purchasing (VBP) (Value not Volume)
eff. 10-1-12
- More Integrated Care
 - More At-Risk
 - More Accountable Health Care
 - More Primary Care

Expanded Coverage

NICH ANDERSON
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HOUTSCHEWEL

THE GOVERNMENT
CAN'T MAKE ME
BUY HEALTH
INSURANCE...

...AND WHY
WOULD I WHEN
I CAN JUST GO
HERE AND YOU'LL
PAY FOR IT?

EMERGENCY
ROOM

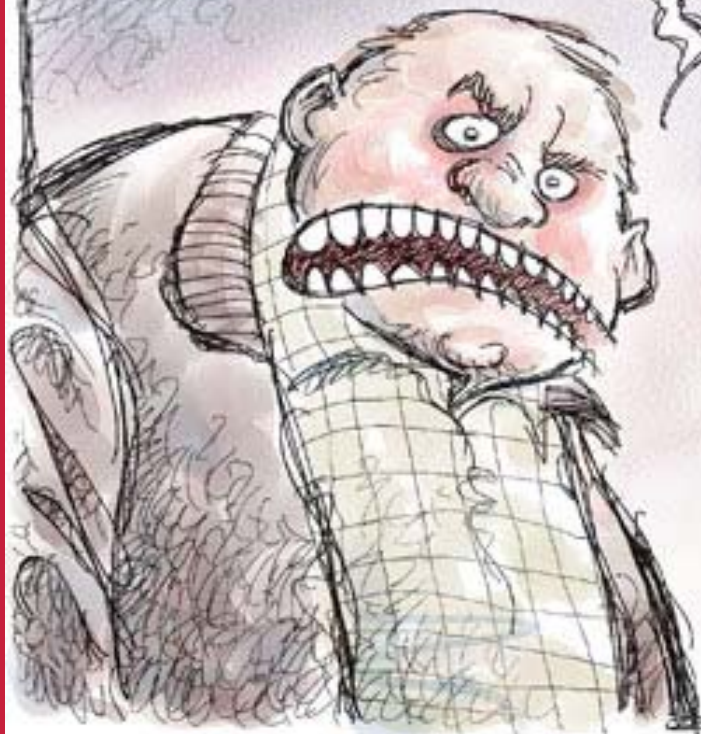
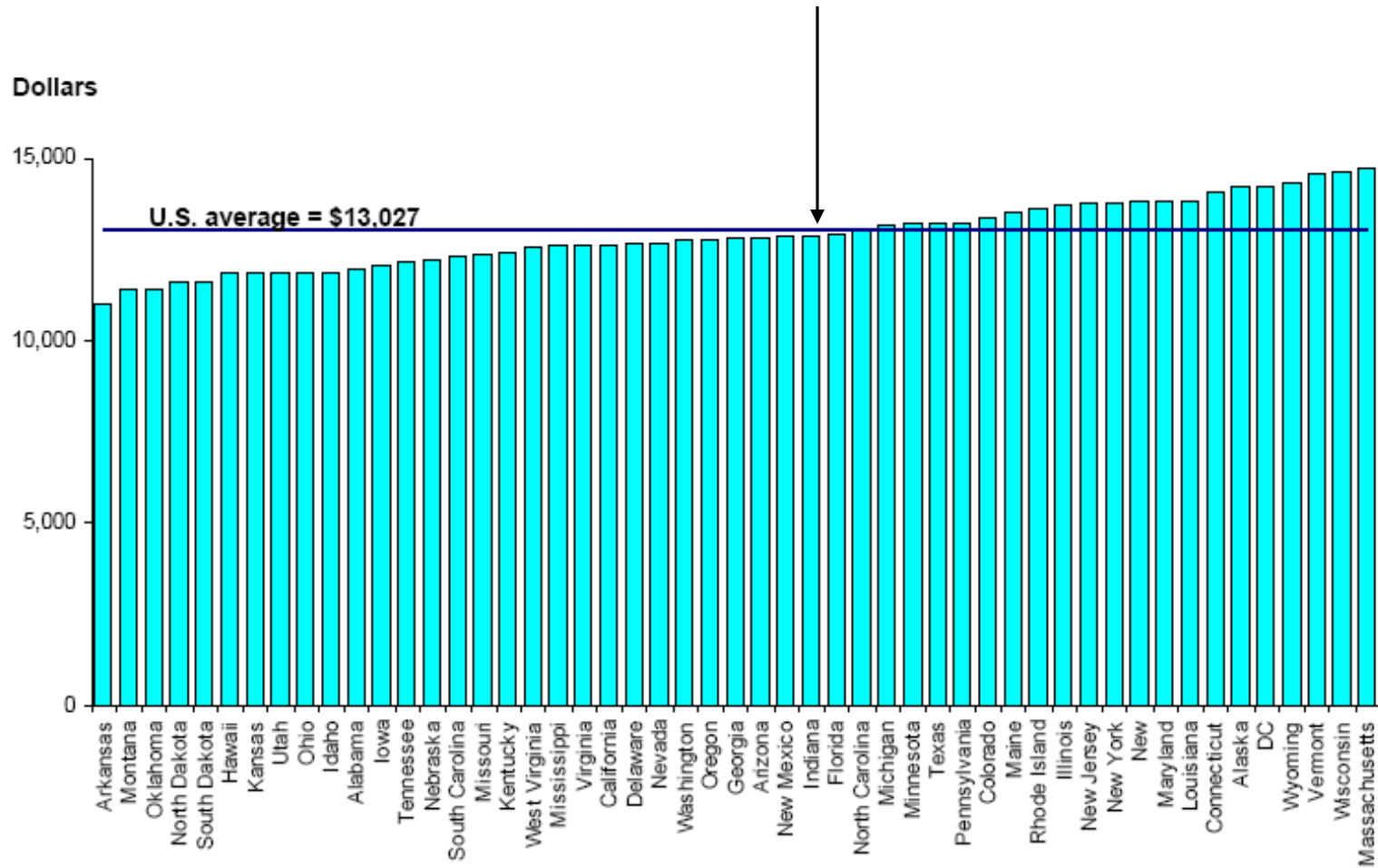
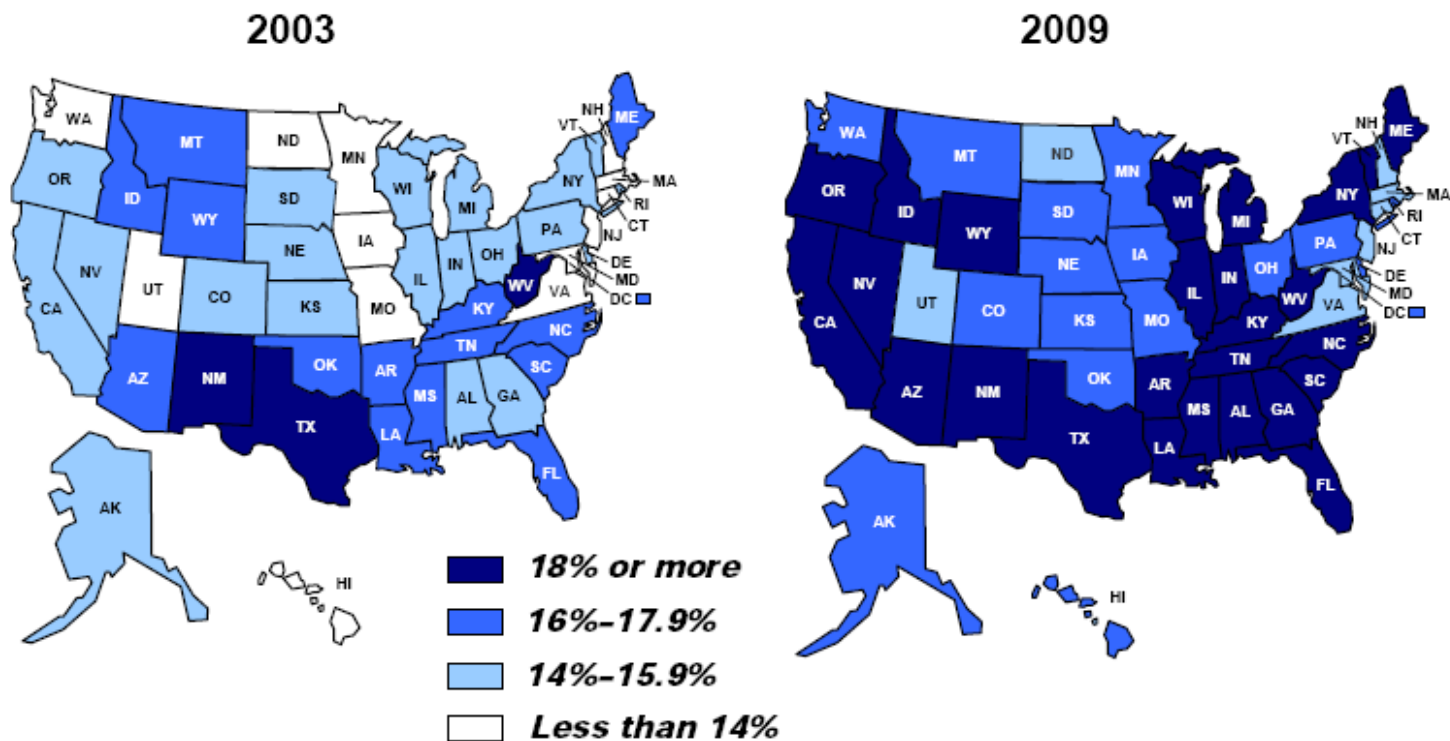


Figure 1. Premiums for Family Coverage, by State, 2009



Data source: 2009 Medical Expenditure Panel Survey—Insurance Component.

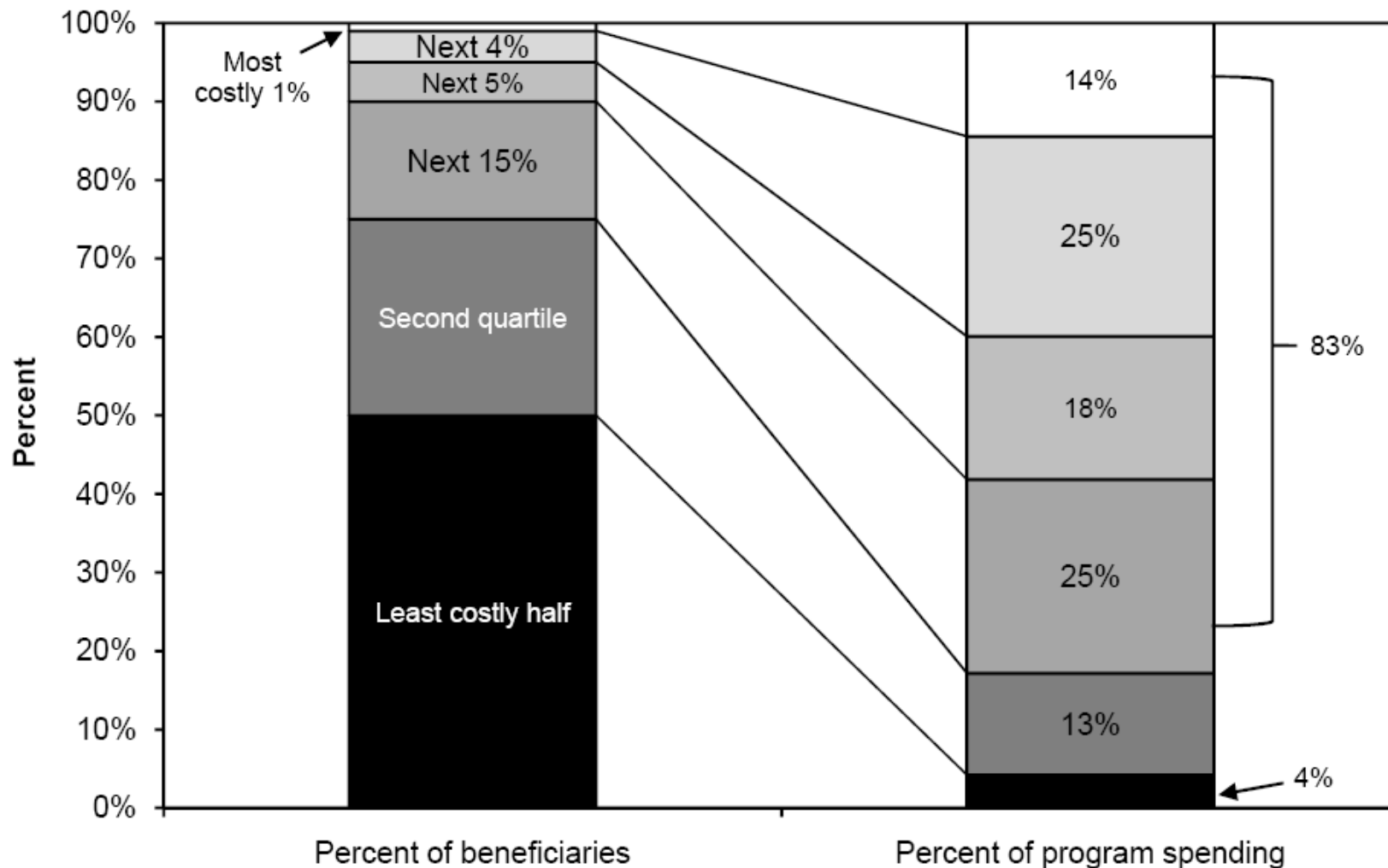
Figure 2. Employer Premiums as Percentage of Median Household Income for Under-65 Population, 2003 and 2009



Data sources: 2003 and 2009 Medical Expenditure Panel Survey–Insurance Component (for total average premiums for employer-based health insurance plans, weighted by single and family household distribution); 2003–04 and 2009–2010 Current Population Surveys (for median household incomes for under-65 population).

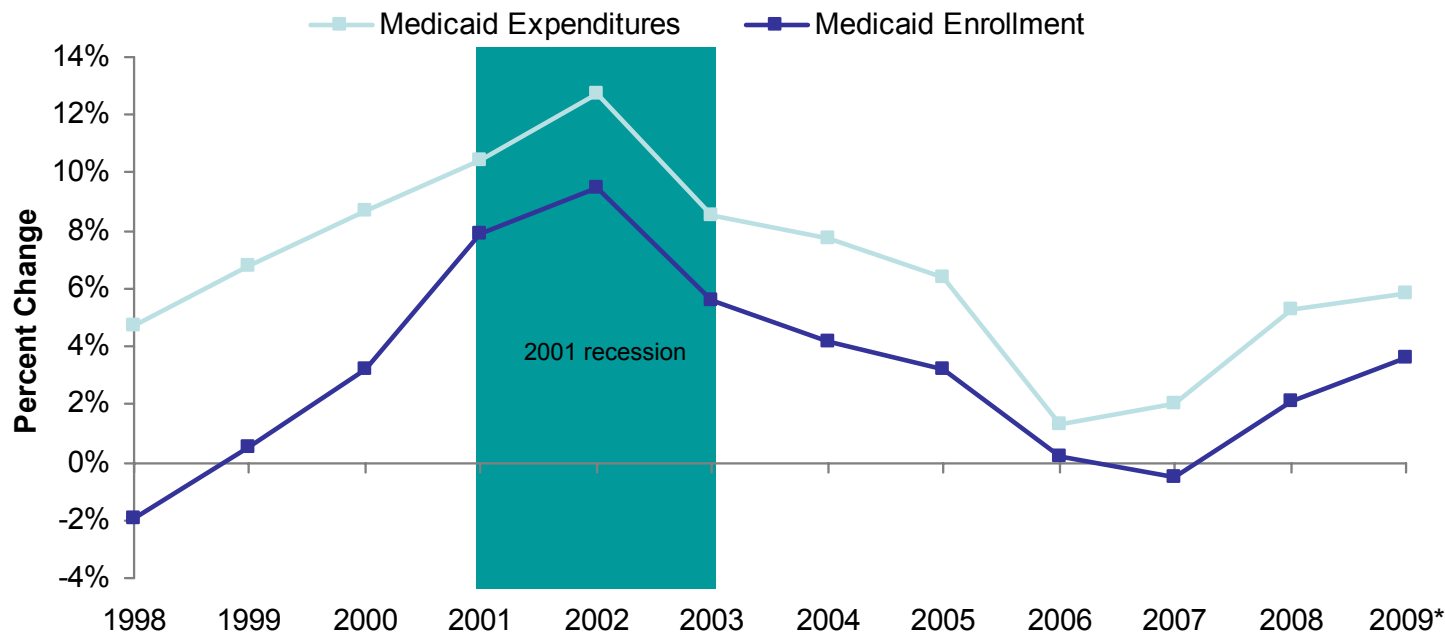
The costliest quartile accounted for 83% of Medicare spending....

Chart 1-10. FFS program spending is highly concentrated in a small group of beneficiaries, 2006



Medicaid expenditures – the largest and fastest growing portion of many state budgets – increase even faster during economic downturns as enrollment grows...

Percentage Change in Medicaid Expenditures and Enrollment, FY1998 – FY2009

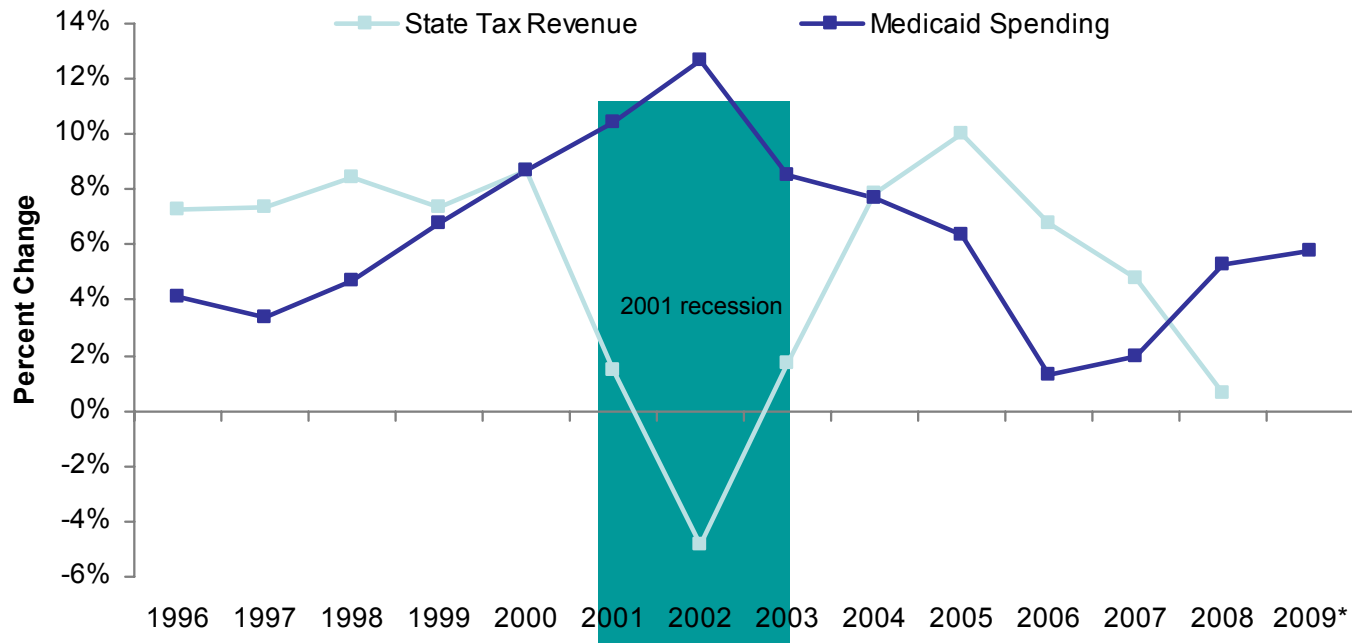


Source: Smith, V., et al. (September 2008). *Headed for a Crunch: An Update on Medicaid Spending, Coverage and Policy Heading into an Economic Downturn*. Kaiser Commission on Medicaid and the Uninsured.

*FY2009 figures are projected in above study.

...even as state tax revenues drop.

Percent Change in State Tax Revenue and Medicaid Spending Growth, FY1996 – 2009



Source: Boyd, D., et al. (November 6, 2008). *State Tax Revenue Now Flat, for the First Time Since 2002 Recession: After Weak Third Quarter, Further Declines Likely Lie Ahead*. The Nelson A. Rockefeller Institute of Government; Smith, V., et al. (September 2008). *Headed for a Crunch: An Update on Medicaid Spending, Coverage and Policy Heading into an Economic Downturn*. Kaiser Commission on Medicaid and the Uninsured.

*FY2009 Medicaid figure is projected; FY2008 revenue figure only includes the first quarter.



Medicaid Budget =

Covered Benefits

X

of Enrollees

X

Provider Rates

(or “efficiency”)

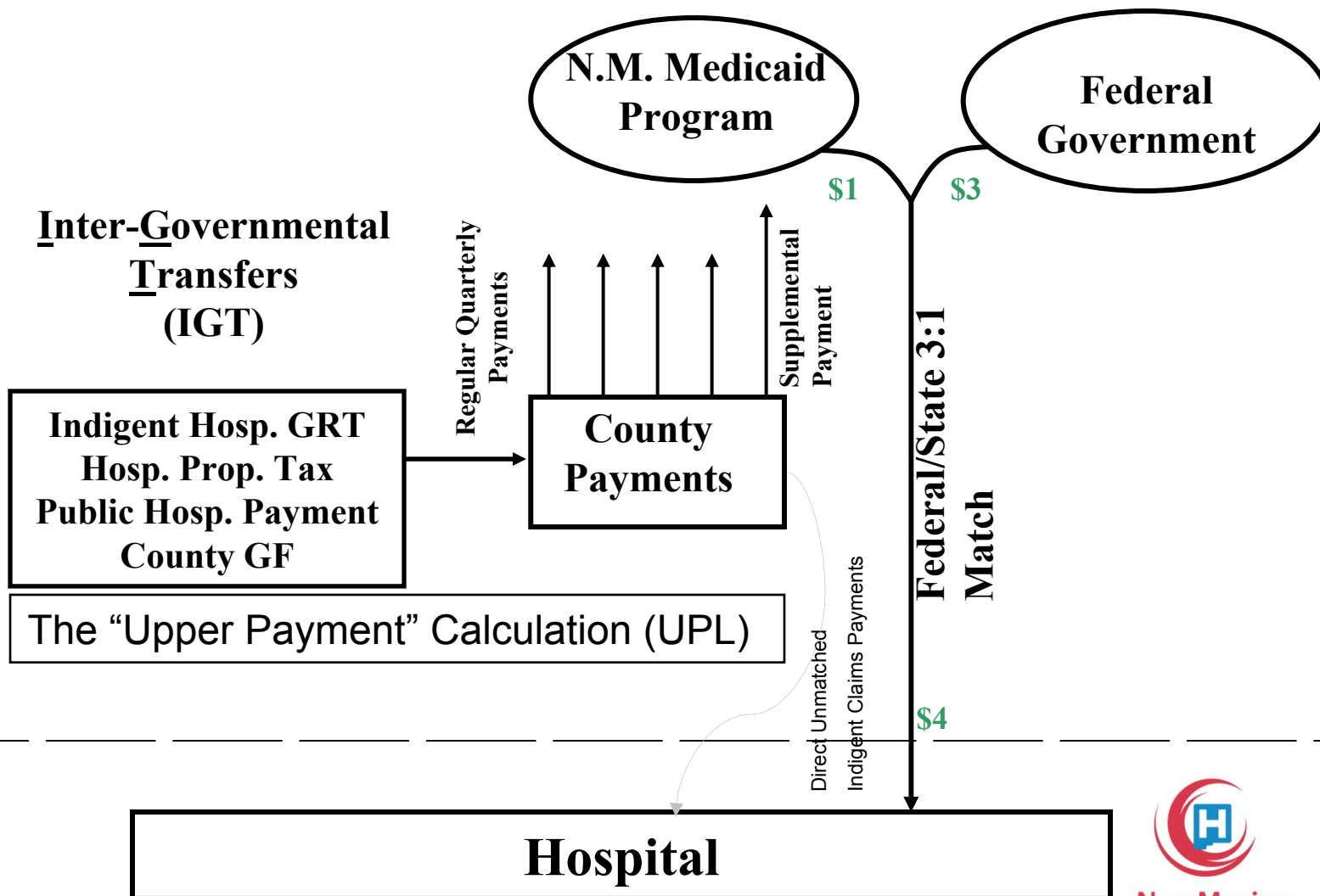
Medicaid OP Cuts

- Effective 11-1-10
- ~\$150-\$200M Total Impact
- 44% cut in Medicaid OP reimbursement
- 20% cut in Total Medicaid reimb.
- 3-5% cut in total patient revenue

- More to come? (FY12 - \$50M GF shortfall)



Sole Community Provider Program



2011 Legislative Session

- Disclosure to patients
 - Patients Bill of Rights
 - Medical Harm Disclosure
 - Charges to the Uninsured
 - Medical malpractice amendments
 - Medical Board subpoenas
 - Hospital provider fees
 - Medicaid budget
- Social, personal, emotional
- Process + WF + \$\$
- Financial

Teens

Federal Health Reform

- Medicare hospital cuts begin in 2010
 - National impact = \$155 B
 - State impact - \$768 M
- Expanded Medicaid coverage and subsidized private coverage doesn't start until 2014
- New focus
 - Readmission penalties: minimal impact at first
 - Hospital-Acquired Condition penalties
 - Value Based Purchasing: an un-winnable formula
 - Accountable Care Organizations: largely undefined
- *Health Insurance Reforms*

Over 10 years

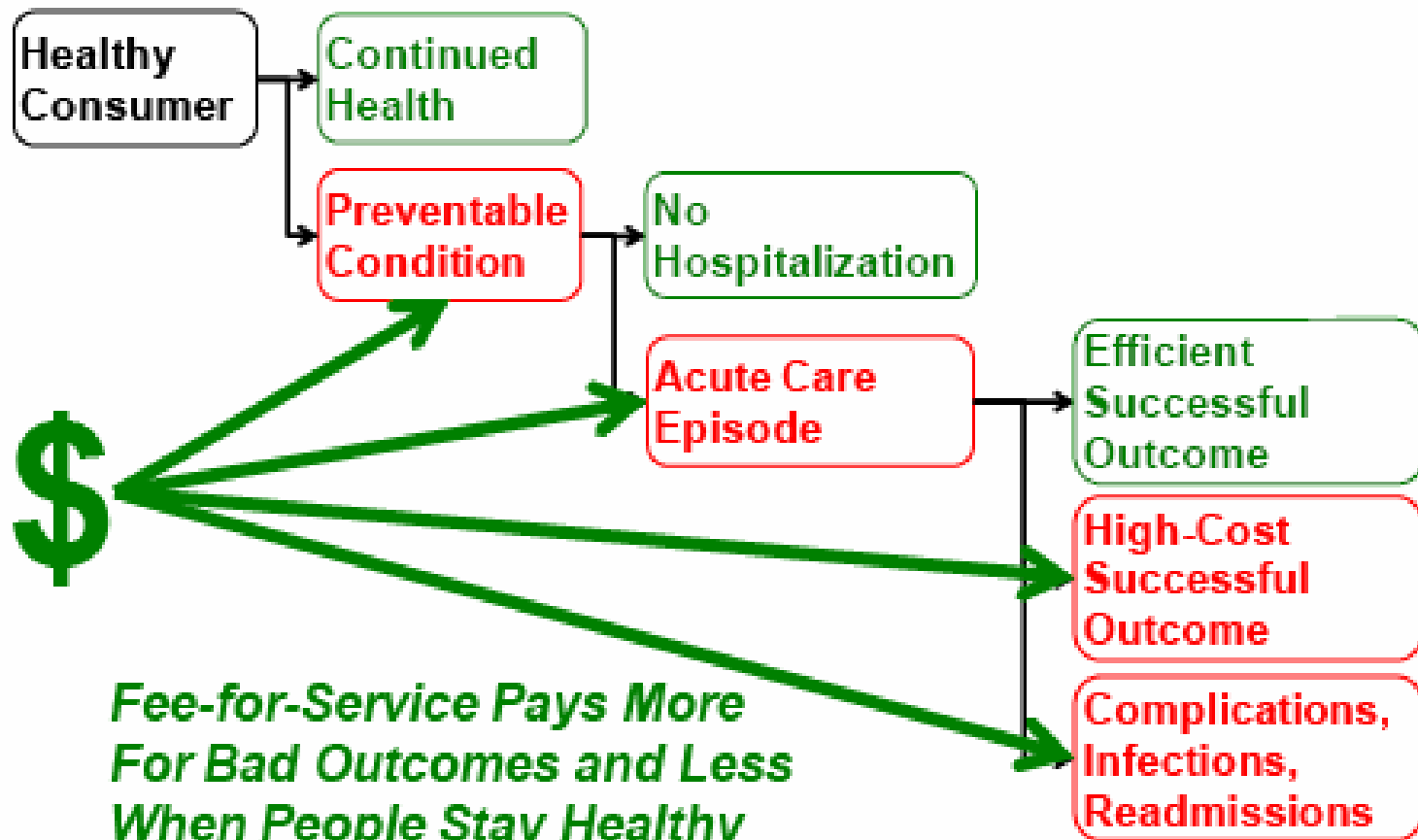


New Mexico
Hospital Association



**HEALTH CARE
REFORM**

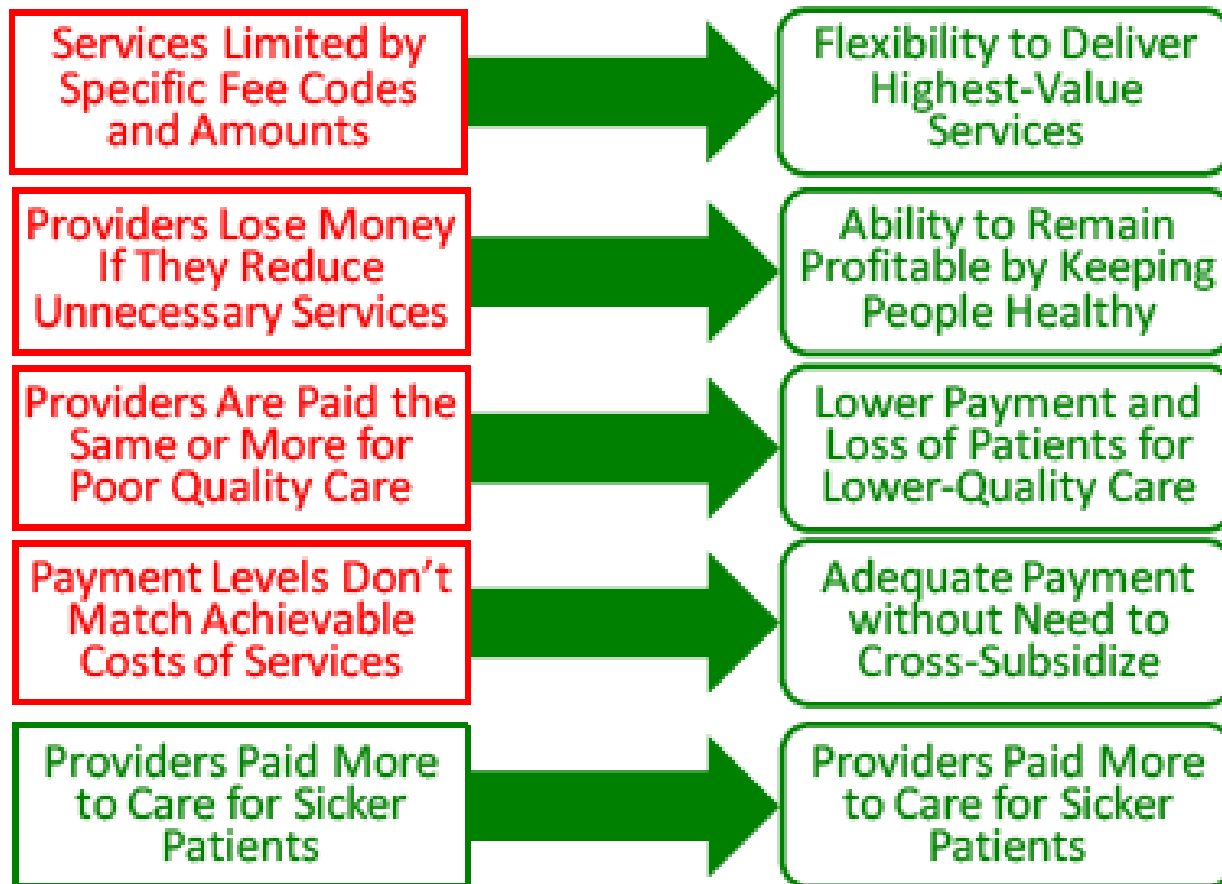
Gary Varvel
THE MINDS ARE THE SAME
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GOALS OF PAYMENT REFORM

CURRENT PAYMENT SYSTEMS

BETTER PAYMENT SYSTEMS

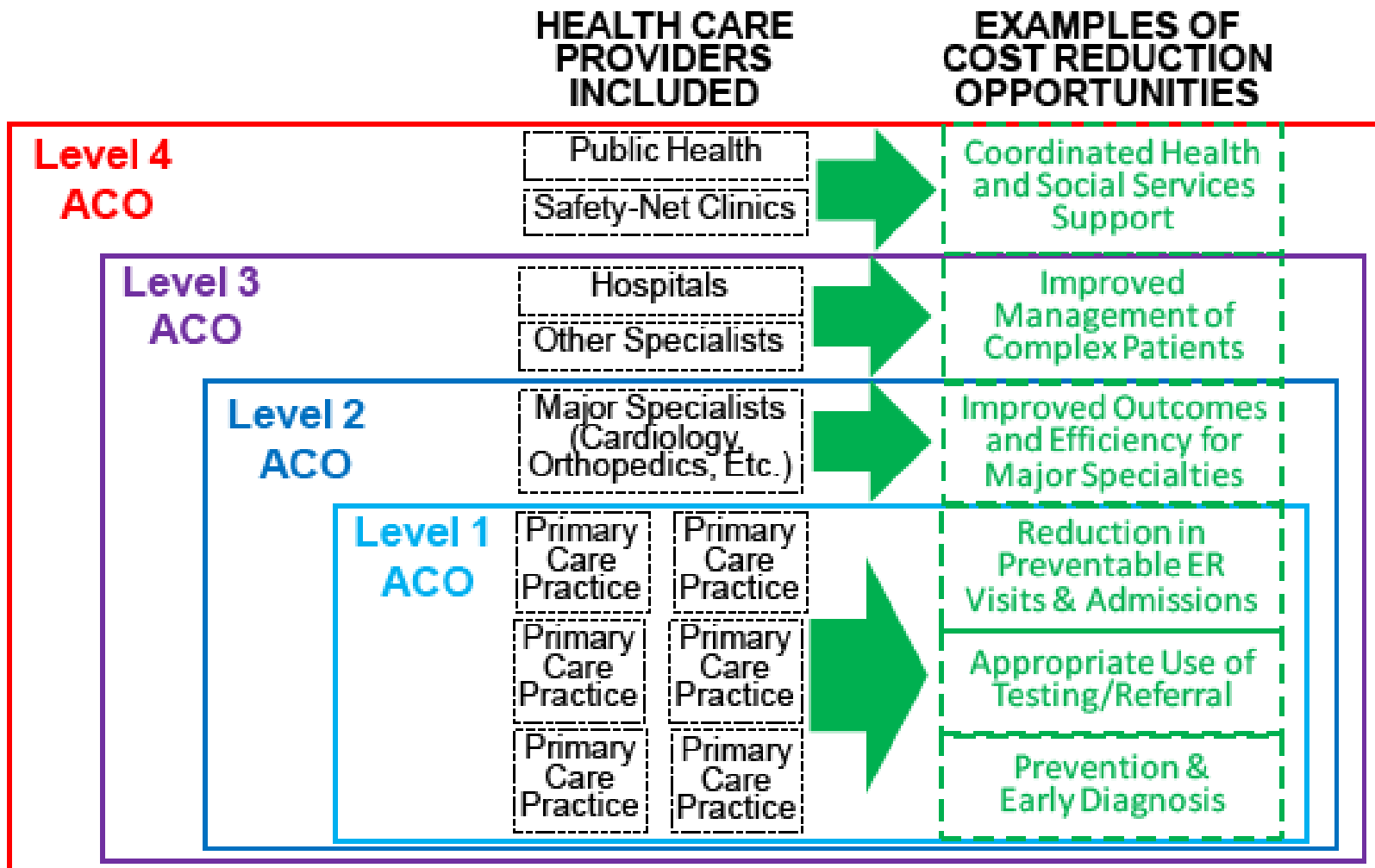


F.



New Mexico
Hospital Association

DIFFERENT FORMS OF ACCOUNTABLE CARE ORGANIZATIONS



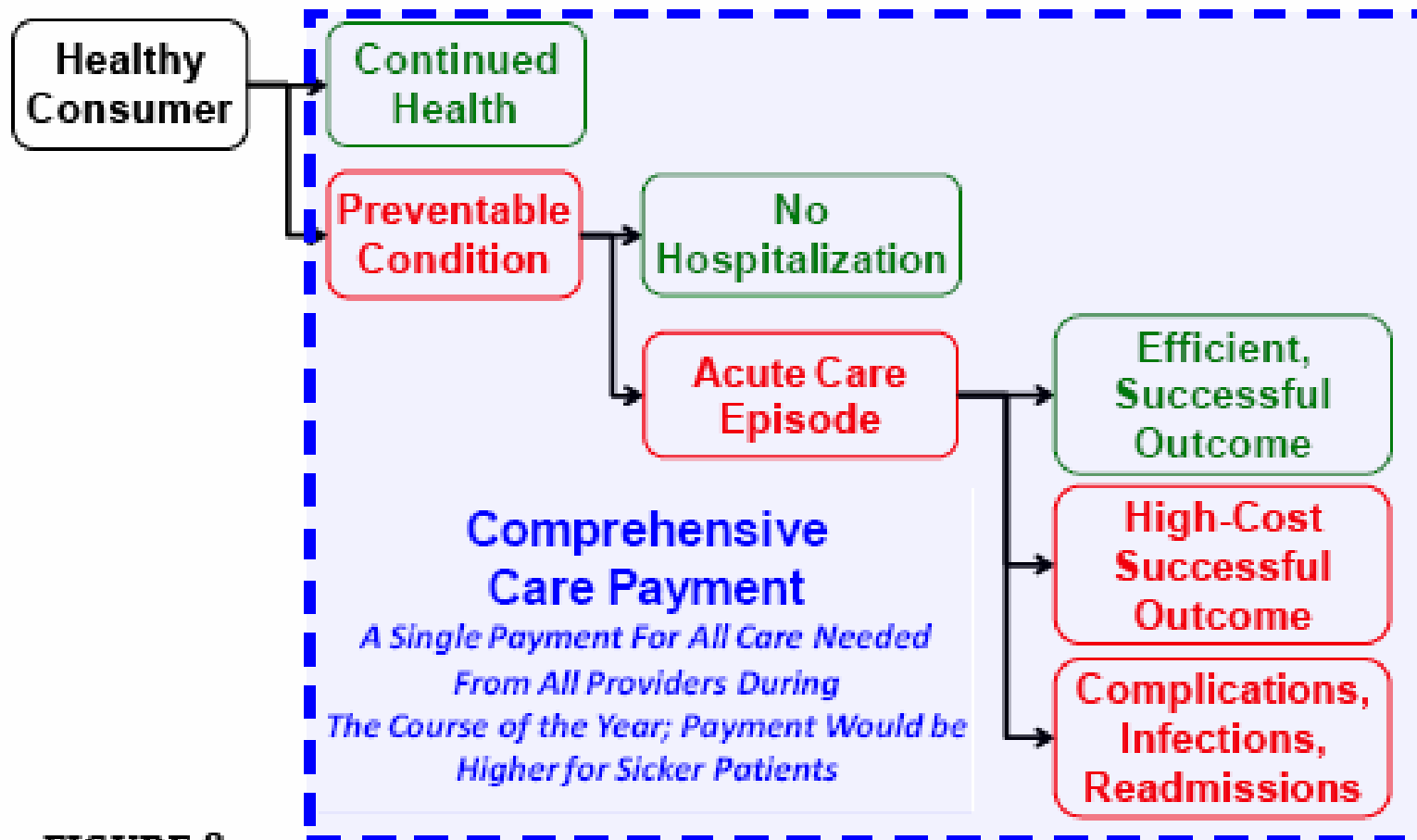
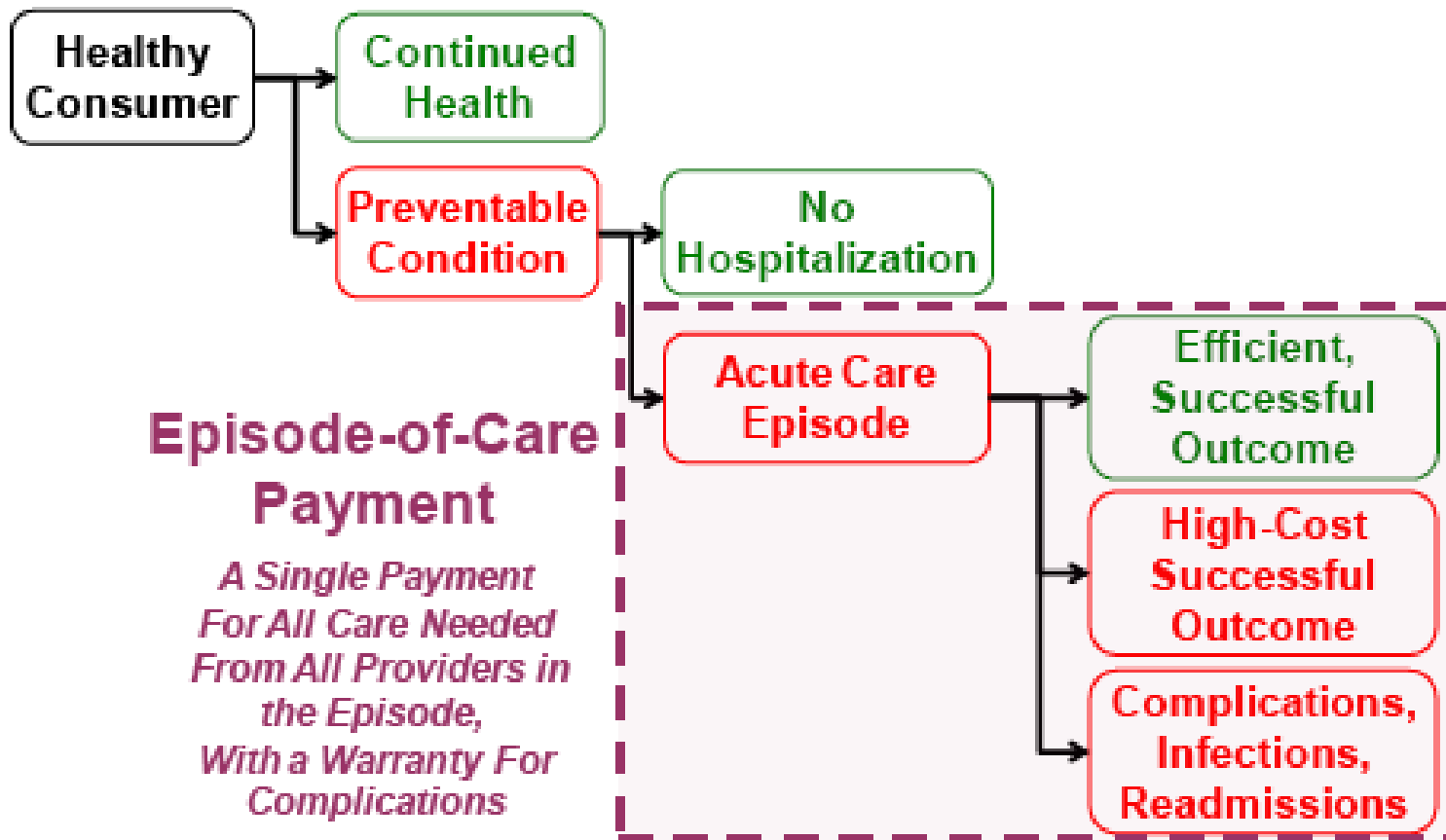


FIGURE 8





Self-Assessment for Rural and Critical Access Hospitals

	Physician Alignment	Quality	Cost	Financial position	IT platform
1	Little alignment or integration; medical staff comprises small, independent physician groups	Below state average on 95 percent of core measures	High cost per unit of service	Not able to fund current depreciation expense	No inpatient or outpatient EMR
2	Employment out of necessity; state of relationship with independent physicians is varied	Meet state average on 50 percent of core measures	Moderate cost per unit of service	Funding depreciation but operating at a loss	Inpatient EMR
3	Mix of employed and independent physicians; fragmented approach to physician alignment	Meet state average on 75 percent of core measures	At the median cost per unit of service across the region	Breaking even from operations	Inpatient EMR; private physician practices have pursued their own EMR
4	Mix of employed and independent physicians; development of strategy and consolidating body for alignment between hospitals and physicians	Meet state average on 90 percent of core measures	Respectable cost position in market	Positive operating margin of 0 to 4 percent	Inpatient EMR; systemwide IT strategy development has been started; some physician practices have integrated system
5	Full integration with physicians; have alignment organizations with physicians	Meet or exceed state and national average on 95 percent of core measures	Lowest cost provider in region	Greater than 4 percent operating margin	Systemwide IT implemented and adopted by all users

Source: Trustee Magazine, January 2011

Bridges to Health (targeted population segments)

- Healthy individuals
- Pregnant mothers and infants
- Acutely ill individuals
- Individuals with serious disabilities who are stable
- Individuals with chronic conditions but have normal functioning
- Individuals with chronic conditions who have limited reserve and experience exacerbations
- Frail individuals (with or without dementia)
- Individuals in a short period of decline before dying