

Hospital Assessment Fee (HAF) Program:

HIP 2.0 Financing and Other Updates

October 15, 2015

CPAs / ADVISORS



Why the HAF Was Created

- “Cliff” with respect to supplemental payments
 - Pressure from hospitals that did not qualify for DSH or did not receive a “full share”
- HCI payments to all hospitals for uncompensated care no longer available
- Zero-sum game without new dollars
- Fundamental issue was Medicaid underpayment
 - Almost two decades since last hospital rate increase
 - At best, \$0.35 for each dollar of cost
 - 5% cuts implemented in 2010, currently 3% cuts

Key Improvements

- Fee is broad-based, with burden and perceived control not resting with a few hospitals
- Increased Medicaid rates to the maximum possible level (FFS and managed care)
- Currently using shorter DSH eligibility periods (two years), reflecting more timely data
- Primarily pays hospitals for treating Medicaid patients when claims are paid, not years later

Basics of the HAF

- Who is assessed or exempt
- Basis of fee
- Fee rates
- Level of Medicaid payment increase
- DSH pools and payment order
- \$2 M state dollars for private psychiatric hospitals

Who is Assessed or Exempt

- Facilities within the class that are assessed
 - Acute care hospitals
 - Freestanding psychiatric hospitals
- Facilities exempt from the fee
 - Long-term care hospitals
 - Freestanding rehabilitation hospitals
 - Hospitals owned by the state or federal government
 - Freestanding psychiatric hospitals with greater than 40% of admissions having a primary diagnosis of chemical dependency
 - Freestanding psychiatric hospitals with greater with > 90% of admissions comprised of individuals 55 or older having a primary diagnosis of Alzheimer's disease or certain neurologic disorders related to trauma or aging



Basis of the Fee

- Inpatient days as basis for most of program
 - Net of all out-of-state days (OOS) and swing bed days
 - “Day is a day”; cannot be manipulated like other statistics
- Outpatient fee assessed for amount over 6% of net inpatient revenue
 - Outpatient fee based on OP-equivalent patient days
 - Excludes same days as above
 - This portion has been between 14%-21% of total fees in past but is 0% for current year (SFY 2016)

NOTE: *IHA internal task force has discussed rebalancing fees on IP/OP revenue. Also, HIP 2.0 funding may lead to a future shift to fees on OP activity even if fee basis is not adjusted.*

Basis of the Fee

- Fees are based on cost reports on file at end of Feb. for upcoming fee year
 - SFYs 2014-15 were based on reports on file Feb. 2013
- This data is the basis of a hospital's fees for a two-year period, but the amount assessed will change based on total program expenditures
- SFY 2016 fees are based on reports on file Feb. 2015
- SFY 2017 fees will use same basis unless policy changes
- New hospitals have not been assessed until the next cycle and a cost report is on file
 - New hospitals receive the higher HAF-funded FFS reimbursement, but no MCE add-on payments

“Rate” of the Fee

- Three “tiers”
 - Most hospitals pay on 100% of days (net of OOS and swing bed day exclusions)
 - 75% of days for acute care DSH hospitals, including municipal hospitals that qualify under the MIUR/LIUR thresholds
 - 50% of days for (1) certain LIUR hospitals; (2) and all DSH-eligible hospitals with OOS Medicaid days more than 25% of total Medicaid days

Medicaid Increase

- Fully increasing Medicaid payment to aggregate Medicare levels (not provider specific)
- Increased payment through higher rates; no separate UPL pool
- Additional payments (“add-ons”)
 - Medical education and capital payments not adjusted

HAF Factors

SERVICE	SFY 2012 & SFY 2013	SFY 2014	SFY 2015 & SFY 2016
Inpatient			
Base	3.0	3.0	2.1
Psych	2.2	2.2	2.2
Rehab	3.0	3.0	2.6
Burn	1.0	1.0	1.0
Outpatient	3.5	3.2	2.7

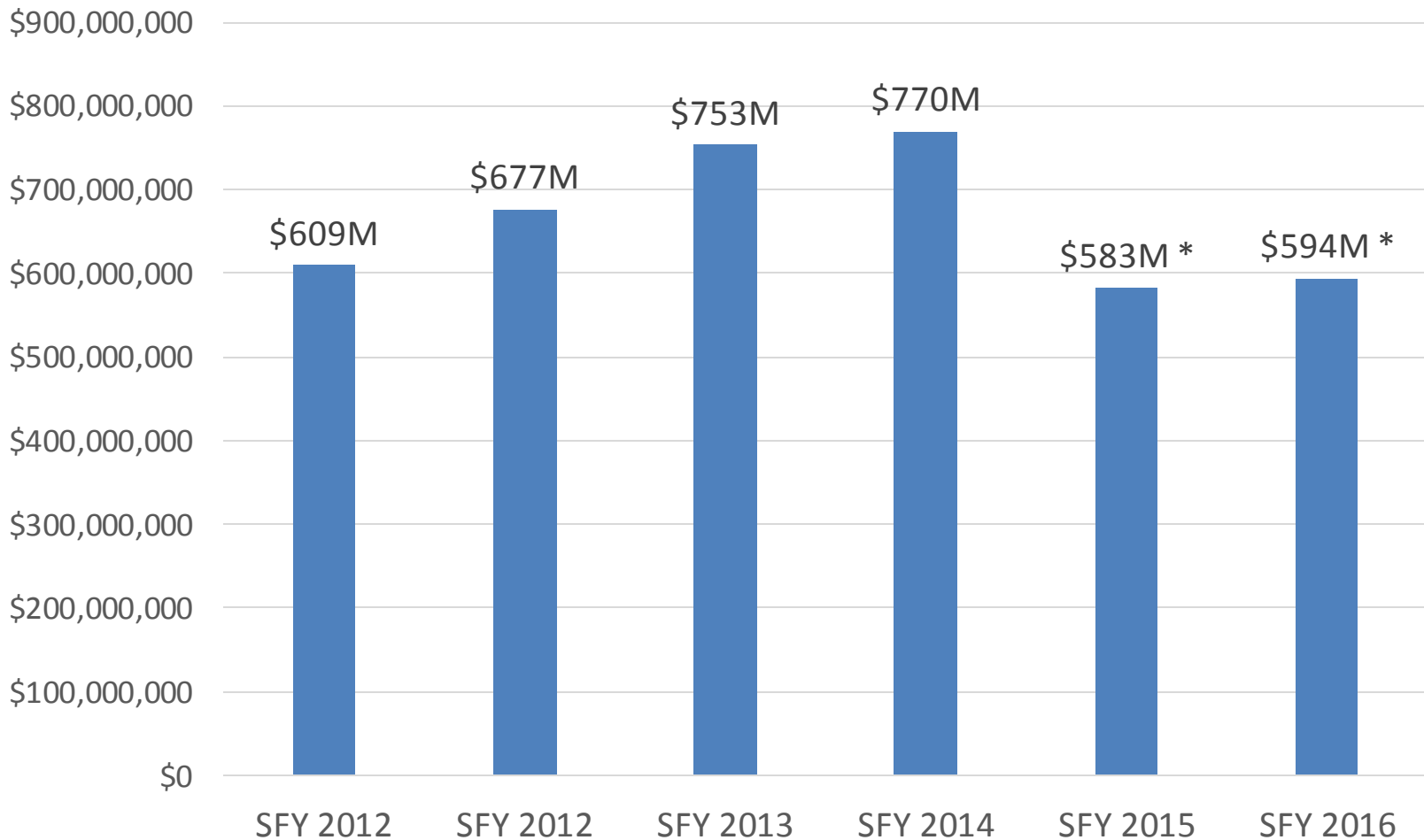
DSH

- DSH is distributed to eligible recipients based on each hospital's Hospital Specific Limit (HSL or "DSH cap")
- After DSH payment order followed, and if dollars remain after the acute care hospitals are paid up to HSLs, DSH-eligible freestanding psychiatric hospitals licensed under IC 12-25 may receive payment equal to their HSLs (after all other Medicaid payments)
- This may or may not ever occur, but is addressed in our Medicaid State Plan

\$2 M Private Psychiatric Pool

- Part of broader HAF program (in Indiana statute only) is the continued payment of the \$2 M private psychiatric pool
- Funds are state dollars and not considered Medicaid DSH
- Available to those hospitals that are DSH-eligible based on the eligibility surveys and are allocated on each hospital's MIUR
 - (MIUR is Medicaid Inpatient Utilization Rate, or Medicaid days as a percentage of total days)

Changes in Total Fees



* Initial estimates, but we expect SFY 2015 fees will be reconciled at a higher level based on paid claims data

Current and Future Issues

- Each new DSH eligibility determination impacts DSH payments, but also the level of assessment. Current SFY 2016 fees will be reconciled **back to 7/1/2015** (100%, 75%, or 50% of fees) once eligibility is completed
 - Under current approach, will occur every other year
- Under managed care for the ABD population, MCE payments are greater than FFS
 - See slides on “Those Monthly Payments”
- HIP 2.0 currently paid at both Medicare-like rates (like original HIP) and at Medicaid HAF rates depending on benefit category
 - IHA working with FSSA to pay services for all HIP 2.0 patients at HAF rates, possibly as soon as 1/1/16

Current and Future Issues

- HAF expires in state law June 30, 2017
 - May seek another renewal of at least four years?
- External threats, like legal challenges from net contributors
- Possible federal limitations, such as reducing 6% limit on provider fee programs
- Federal DSH reductions under ACA
 - Delayed until FY 2018 under H.R. 2

HIP 2.0 Funding

- Per Term Sheet, no HAF funding used in SFYs 2015 and 2016 for HIP 2.0 program
- Use of HAF is strictly limited to expansion expenses (payment to MCEs for medical expenses, POWER account funding, and limited administrative costs) and increases for physician payments in the current Medicaid program
- Hospitals' obligation to fund these expenses ceases immediately if the waiver is terminated for any reason

ACA Enhanced Medicaid Match

CY	FMAP
2014	100%
2015	100%
2016	100%
2017	95%
2018	94%
2019	93%
2020	90%

Non-HAF Funding Sources

- The portion of the tobacco tax that was established for funding HIP 1.0 will represent the “first dollar” commitment to the program, reducing the amount needed from the HAF (this revenue is currently about \$112 M per year)
- In addition, the balance of the HIP Trust Fund will remain dedicated to the program, either for regular expenses or in case of a phase-out (current balance is around \$338 M)
- IHA will work to explore other funding sources (other provider fees, excise taxes, etc.) in the future that could supplement HAF contributions

Other HAF Provisions

- Prior to implementing the assessment for HIP 2.0, the State and IHA will agree upon a process for accounting for actual costs incurred
- It is important to note that HAF funding for the State's costs will be based on enrollment or actual costs incurred, and the most accurate, timely, consistent, and verifiable data possible will be used
- IHA and the State will agree on a mechanism for ensuring that HAF funding for the program that will be clearly and separately distinguished from funding for the existing Medicaid program

Those Monthly Checks

- Initially, the monthly checks from the MCEs were only for Hoosier HealthWise (HHW)
- These add-on payments represent the difference between base Medicaid rates and Medicare in the aggregate
- Each hospital gets fixed percentage/allocation of the statewide total of monthly managed care enrollment, and the percentage is based on actual MCE paid claims from prior base year (for example, SFY 2014 claims were used for SFY 2016 allocation)
- These percentages have been set for each two-year HAF period



Those Monthly Checks

- We are now in the fifth year of the HAF program, and the MCE payments have tripled
 - Original estimate was \$250 M in MCE add-on payments
 - SFY 2016 total includes \$325M for HCC and \$428M for HHW/HIP 2.0
- With so much reimbursement moving from traditional or FFS Medicaid to HCC and HIP 2.0, we are re-examining this approach
- Proposed federal rules on Medicaid managed care may signal that CMS wants to scale back “pass-through” payments, and FSSA is interested in reviewing impact
- No definite decision or time frame, but we hope to move away from checks and have MCEs pay up to Medicare-levels on the front end sometime in CY 2016

Those Monthly Checks

- Several advantages to eliminating add-on payments
 - Dollars follow the patient and reflect where services are provided today
 - Timing of payment should be sped up – no waiting for delayed or missing checks
 - Perhaps easier to forecast for hospitals
 - Less administrative burden (State and IHA review base year claims, adjust allocations, etc.)
- Important to note that because the allocation is based on past years, so moving away from the add-ons would allow a new facility to receive reimbursement sooner
- **Only concern is whether or not full amount can be passed through to hospitals**

Road Ahead for HIP 2.0

- Only a 3-year waiver “experiment”
- CMS has already begun in-depth review of 2.0 and could insist on changes mid-stream upon renewal
- 2016 election may have major consequences at state & federal level
- How would the IN General Assembly, presumably with large Republican majorities, view preserving HIP 2.0 under a Democratic governor?
- Who will be POTUS and control CMS? (**NOTE: HIP “1.0” was approved by the last Bush Administration**)



What Would President Trump Do?



Hospital Assistance Program (HAP)

- Voluntary 501(c)(3) “foundation” model
- Participation open to all, even non-members
- Net contributors within “winner” systems not eligible
- SFY 2012-14 completed; SFY 2015 in process
 - Five to seven eligible hospitals each year to-date
 - For 2012 through 2014, collected just under \$2 M each year which was about 90% of the requested amounts

Thank you and Questions?

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