HFMA FALL MEETING
Embassy Suites, Lexington
October 23, 2014

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Kentucky Hospital Association
FEDERAL ISSUES AFFECTING KENTUCKY HOSPITALS
Federal Issues Affecting Kentucky Hospitals

Wage Index

- Kentucky’s hospitals request all members of the Kentucky delegation to co-sign and support the Hospital Payment Fairness Act - H.R. 2053 (Reps. Brady and Kind) /S. 183 (Sens. McCaskill and Coburn), to fix the “Bay State Boondoggle” which is benefitting Massachusetts at the detriment of other states, like Kentucky.
Changes to Hospital Readmission Reduction Program (HRRP)

• We ask all Kentucky Representatives to co-sign H.R.4188 and Senators to support companion legislation fix the readmission penalties which are disproportionately affecting Kentucky hospitals for factors beyond their control.

• A study published by the U.S. National Library of Medicine National Institutes of Health had a similar finding. Even CMS’s own data shows that 77% of hospitals serving the most poor patients faced penalties compared to only 36% of hospitals with the fewest poor patients.
Federal Issues Affecting Kentucky Hospitals (cont’d)

Reject “Site Neutral” Medicare Hospital Outpatient Cuts
• Congress is asked to oppose legislation reducing hospital outpatient payments to physician office rates.

Delay Implementation of Medicare “Two Midnight” Patient Status Rule (March 31, 2015)
• KHA supports the Two-Midnight Rule Delay Act/Two-Midnight Coordination and Improvement Act, H.R. 3698/S.2082, which would implement a new payment methodology for short inpatient stays. The Kentucky Congressional delegation is asked to co-sponsor and support passage of this legislation.
Federal Issues Affecting Kentucky Hospitals (cont’d)

Changes to Medicare Recovery Audit Contractor (RAC) Program

• We ask Kentucky Representatives and Senators to co-sign H.R. 1250/S. 1012 and work for the passage of this legislation to make needed changes to the RAC program.

• It would establish annual limits on medical record requests, require that audits be focused on widespread payment errors, improve auditor transparency, establish financial penalties linked to RAC performance, and require that physicians – not non-physician auditors - review and issue any denials related to medical necessity.
Federal Issues Affecting Kentucky Hospitals (cont’d)

Changes to Medicare Recovery Audit Contractor (RAC) Program (cont’d)

- CMS Proposes Settlement of RAC Appeals
  - CMS has offered to settle pending RAC appeals for 68 percent of the net claim if a hospital agrees to withdraw all of its RAC appeals. The deadline to accept offer is October 31, 2014.
Delay Reductions in Medicaid and Medicare DSH

- Congress is asked to take action to delay Medicare and Medicaid DSH cuts until coverage expansions are more fully realized and to provide more time for analysis of CMS’s proposed method to redistribute remaining DSH funds.
Delay Reductions in Medicaid and Medicare DSH (cont’d)

- Review of Charity Policy
  - Hospitals are experiencing a decrease in indigent care as a result of Medicaid expansion and mandate to purchase insurance coverage.
  - Should “charity” be offered to those who refuse to sign up for subsidized coverage?
  - Should large “uncollectible co-pays” from individuals with subsidized coverage that previously qualified for hospitals’ charity programs be written off as bad debt or be classified as charity?
Federal Issues Affecting Kentucky Hospitals (cont’d)

Preserving and Expanding the 340B Drug Discount Program
• KHA requests the Kentucky Congressional delegation to support extending the 340B discounts to the purchase of drugs used during inpatient hospital stays, and oppose any efforts to scale back this important program.

Permanent Solution to “Doctor Fix”
• Kentucky hospitals support a permanent solution for physician payments, but hospitals cannot sustain additional cuts to fund the solution for a flawed Medicare physician payment system.
SMALL AND RURAL HOSPITAL ISSUES
Small and Rural Hospital Issues

Medicare Extenders

• Medicare inpatient hospital payment adjustment for low-volume hospitals (LVHs) - Qualifying low-volume hospitals receive add-on payments based on the number of Medicare discharges. Kentucky hospitals receive $9.3 million annually in LVH funding.

• Medicare-Dependent hospital (MDH) program - The MDH program provides enhanced reimbursement to support rural health infrastructure and small rural hospitals for which Medicare patients make up a significant percentage of inpatient days or discharges. This greater dependence on Medicare may make these hospitals more financially vulnerable to prospective payment, and the MDH designation is designed to reduce this risk. Kentucky hospitals receive $5 million annually in MDH funding.

Kentucky hospitals strongly encourage Congress to permanently extend these rural provisions.
96 Hour Rule – CAH Condition of Payment

- KHA and Kentucky hospitals support the Critical Access Hospital Relief Act of 2014, H.R. 3991/S. 2037, which would remove the 96 hour physician certification requirement as a condition of payment. CAHs would still be required to meet the 96 hour “average” annual length of stay.
Small and Rural Hospital Issues (cont’d)

96 Hour Rule – CAH Condition of Payment (cont’d)

Preserve Critical Access Hospitals (CAHs)

- Maintain the CAH program as it is and reject any proposals to limit the designation or decertify safety net CAHs based on mileage from other hospitals. Many Kentucky CAHs were designated as “Necessary Providers of Care” because Kentucky’s Governor identified these facilities as essential to providing access to basic health care needs for rural Kentuckians.

- Shield Kentucky CAHs from future Medicare cuts. Kentucky CAHs receive 101 percent of cost reimbursement and run on a very thin margin. In fact, 45 percent of Kentucky CAHs lose money on operations with an overall profit margin for CAHs of 1.91 percent. Cuts in Medicare payment have a devastating impact on Kentucky’s CAHs as they also receive the Medicare rate for Medicaid patients.
Small and Rural Hospital Issues (cont’d)

Emergency Preparedness
  • KHA urges Congress to increase the FY 2015 appropriation for the HPP to $374 million, consistent with the amount authorized in PAHPRA.
STATE ISSUES AFFECTING KENTUCKY HOSPITALS
State Issues Affecting Kentucky Hospitals

Medicaid Managed Care

- Over 1.1M Kentuckians are covered by Medicaid
- Over 90% covered by MCOs
- KHA meets with Medicaid MCOs the third Friday of every month
  - Open to all members – attend in person or call-in.
  - Contact Debbie Bonn at dbonn@kyha.com.
Medicaid Managed Care (cont’d)

- U.S. District Judge Karl Forrester wrote, “CMS approved the waiver without having actuarially sound capitated rates and adequate networks from the MCOs, as required by statute.” Forrester also stated, “both the Cabinet and the MCOs have demonstrated that they have not complied with the requirements and do not intend to do so.” “The statutory safeguards were ignored. Kentucky MCOs have been ‘gaming’ the system ever since to improve their financial position, with the result that they have run roughshod over the rights of Medicaid beneficiaries and providers. If the waiver had not been arbitrarily and capriciously approved, none of the gamesmanship could have taken place.”
State Issues Affecting Kentucky Hospitals (cont’d)

Medicaid Proposed DRG Reimbursement System
• Will cover the eight percent Medicaid beneficiaries covered under traditional Medicaid FFS
• MCOs have indicated they will probably implement new system – not required
Medicaid Proposed DRG Reimbursement System (cont’d)

- Statewide base rate
- Base rate will be adjusted so every hospital will be ± 5% of statewide cost coverage of 73%
- Will utilize APR-DRG Grouper – must be ICD-compliant
- Phased-in over two years
- ICD10 – October 1, 2015 - Probably
Medicaid DSH

- Hospitals to receive essentially same dollar amount in November 2014 and 2015 as they did in November 2013
- Share Factor remains the same
- Federal Funding remains the same
- Slight change in match rate
- Method of distribution in November 2016 - UNKNOWN
State Issues Affecting Kentucky Hospitals (cont’d)

Certificate of Need
• Vigilant
• State has requested comments on how to “modernize” CON – due November 30