



MHA Update

**Western Michigan
Healthcare Financial Management
Association (HFMA)
March 13, 2008**

**Vickie Seal
Director of Finance
Policy & Health Delivery**

1



Medicaid

- New Outpatient Uncompensated Care DSH Pool – FY 2008
- Final Policy – Annual MACI Payments
- National Drug Codes (NDCs)
- FY 2009 Budget
- Michigan First Health Plan on Hold

2

FY 2008 Budget

- No provider rate cuts
- No eligibility cuts
- \$17.5 million new state gainshare through expansion of tax-funded hospital DSH pool.

3

New DSH Program

- Total DSH pool of approximately \$101 million, financed by \$61 million hospital tax, with \$17.5 state general fund gain share, resulting in a hospital net benefit of \$41 million in FY 2008.
- Hospitals must be eligible for Medicaid DSH and have DSH ceiling availability.
- **Requires CMS approval**, which likely won't occur until late in FY 2008.
 - Retro to Oct. 1
 - No tax collected or payments distributed until approved.

4

OP Uncomp Hospital DSH Pools

- MSA issued a proposed policy on 3/07/08 to implement Public Act 123 of 2007, with comments accepted until April 7.
- MSA would utilize available DSH allotment from two fiscal years.
- Legislated requirements on distribution of these new funds.

5

DSH Allotment & Distribution

(In millions)

	Small/Rural	Large/Urban
FY 2007	18.9	19.4
FY 2008	<u>31.1</u>	<u>32.1</u>
Total	<u>50.0</u>	<u>51.5</u>

6

Cont., Distribution Formula

- Distribution based on hospital outpatient uncompensated care reported on indigent volume schedules for hospital fiscal year ending during state FY 2005 and 2006.
- See MSA proposed policy for further detail or MHA Advisory Bulletin included in March 17 weekly mailing.

7

Cont., OP Uncomp DSH Pools

- MSA proposed policy does not reflect the hospital tax amount due.
- Hospitals can estimate tax to be approximately 90 percent of their quarterly QAAP tax, or approximately 22 percent of their annual QAAP tax.
- Tax basis will be Net Patient Revenues less Medicare as reported on Medicare cost reports for periods ending in FY 2006.
 - Consistent with tax basis for FY 2008 QAAP & HRA tax.

8

Provider Tax Programs

- Through FY 2007, these programs have increased federal funds to Michigan hospitals by approximately **\$877 million**.
- FFS program implemented in Michigan in FY 2003.
- HMO program implemented in Michigan in FY 2007, with Jan 1, 2007 effective date.
 - First state in the US with an HMO provider tax program.
- Combined these programs will generate a net benefit to hospitals of approx. **\$470 million** in FY 2008.

9

MACI Payment Policy

- The MSA recently issued a final policy to implement an annual distribution of the Medicaid Access to Care Initiative (MACI) payments to hospitals.
- Pending approval by the CMS, this would change the payment distribution and tax collection to annual, rather than maintaining the current quarterly payment schedule.
 - Payments would occur during first quarter or as early as possible at the beginning of state fiscal year.
- Quarterly schedule will continue until CMS approval occurs.

10

Hospital Cost/Charge Limits

- These limits do NOT apply to new DSH pool.
- Federal regulation law requires that Medicaid FFS inpatient payments (including capital, QAAP, GME) to hospitals cannot exceed charges for inpatient services.
- Limits **do not** apply to HRA payments.
- Medicaid state plan stipulates that Medicaid FFS outpatient payments cannot exceed cost as computed on cost report.
 - Ensure that QAAP tax is included as an allowable expense on Medicare cost report.

11

Feb. & March GME & HRA

- | | |
|-----------------------------|----------------|
| • Feb. GME | PAID Feb. 25 |
| (HPM paid GME one-day late) | |
| • Feb. HRA | March 7 |
| • (BCN and PHP paid late) | |
| • Feb. HRA Tax | March 13 |
| • March GME | March 24 |
| • March HRA | April 4, 2008 |
| • March HRA Tax | April 10, 2008 |

12

Medicaid GME & DSH

- For FY 2008, MSA will distribute \$69 million fee-for-service GME and \$50 million DSH payments in September.
 - Does not impact monthly GME paid thru the HMOs
- Final policy issued Dec. 1, and effective Jan. 1, 2008, revised to indicate that these payments will be made no later than Sept. 30.
- FFS GME payments will continue to be calculated quarterly with payment info distributed to hospitals each quarter.

13

Capital Rates

- Capital rates updated April 2007, next update April 1, 2008.
- All hospital rates are available on the MSA's website.
- In addition to the DRG or per diem payments, Medicaid HMO payments from HMOs to non-contracted hospitals should include a separate capital payment.

14

Prior EO Reductions

- Continue in FY 2007 and future years.
- \$45.9 million reduction to inpatient DRG and rehab per diem payments.
 - Carry forward from 2002, 2003, & 2005 Executive Orders
- MSA likely to recoup via lump sum reduction to MIP amounts during 4th quarter.
- Maintains higher DRG payment rates from HMOs.

15

APC Implementation

- Effective April 1, 2007, MSA implemented an OPPS similar to the Medicare APC system, with modifications for certain fees screens.
- Initially, Medicaid paid 67.4 percent of Medicare rates, with no area wage adjustor then reduced to 63 percent effective Aug. 1, 2007.
- Effective Jan. 1, MSA reduced the Medicaid payment factor from **63 to 60.9 percent**, to incorporate Medicare rate increase. based on review that OPPS payments exceed budget neutrality.
- Future adjustments not likely to occur before July 1, 2008.

16

OPPS Claims Processing

- Due to a delay in receiving updated 2008 APC software, the new APC grouper and weights were not implemented by the MSA until recently.
- The MSA will process claim adjustments for all 2008 OPPS claims paid through early March.
 - This resulted in underpayments to hospitals.

17

National Drug Code Reporting

- MSA Policy 07-61, issued Dec. 1 implementing a DRA requirement.
- Effective July 1, hospitals are required to report national drug codes (NDCs) on all claims for “physician administered” drugs.
- All claims that report a HCPCS or CPT code must also report its corresponding NDC.
- A claim will reject if a HCPCS or CPT is reported, and the NDC is missing/invalid or non-rebateable.
- MSA requested an extension from the CMS and was granted a six-month extension, until July 1, 2008.
- MSA Policy 08-02, issued Jan. 10, 2008, announced this extension.
- MHA and hospitals have requested the MSA to contact the CMS to request a further delay in implementing this requirement since hospital systems currently do not have the capacity to report the requested info.

18

MMIS Replacement

- Michigan Medicaid Information System (MMIS) will be replaced with CHAMPS (Community Health Automated Medicaid Processing System), which the MSA expects to implement on Jan. 1, 2009.
- Medicaid will issue correspondence soon regarding provider enrollment process, which must be completed by all providers between April 1 and Dec. 31, 2008.

19

Cont., New MMIS

- Internally, the MSA will process claims for select weeks using both old and new system to ensure payments match.
- As of 12/31/08, **all** Medicaid claims will be process using CHAMPS.
 - Old claims submitted and pending claims will also be processed using CHAMPS.
- Current system will not be used.

20

Michigan First Health Plan

- Gov. Granholm recently announced that during the remaining year of the Bush Administration, it's unlikely that the CMS will approve Michigan's request for a waiver to implement the Michigan First Health Plan.
- Included as a priority in Gov. Granholm's FY 2007 budget, this plan would provide health coverage to approximately 500,000 individuals with incomes below 200% of FPL, with cost sharing based on income.

21

FY 2009 Medicaid Budget

- Funding for Medicaid will increase to support caseload, utilization and inflationary increases.
 - Caseload projected to increase 2 percent from the current 1.58 million to 1.61 million individuals.
- No cuts to provider rates or eligibility.

22

Cont., FY 2009 Exec Budget

- Unresolved Issues
 - Increased state gainshare through hospital QAAP provider tax.
 - Elimination of the \$5 million DSH pool that was established in FY 2005.

23

Action Needed –State Budget

- Hospitals are urged to contact their state house representative and senator and urge them to pass a 2009 state budget that protects vital Medicaid funding for Michigan's 1.5 million Medicaid recipients.
- In FY 2009, for every \$1 Michigan spends on Medicaid, the federal government sends \$1.52 in federal funds.
- If Michigan reduces its Medicaid spending by \$10 million, the state would lose another \$15.2 million in federal funds, resulting in a \$25.2 million total loss in funding.

24

Medicare

- FY 2009 Presidential Budget
- MedPAC Recommendations
- Recovery Audit Contractors
- LTCH Proposed Rule
- Submission of “no pay bills”

25

Presidential Budget Proposal

- IP & OP – Freeze MB 2009-2011, MB minus 0.65% for 2012 and after.
- IRF – same as hospital IP, repeal certain provisions of the Medicare, Medicaid and SCHIP Extension Act.
- SNF – same as hospital IP
- LTCH – same as hospital IP
- HHA – Freeze MB – 2009-2013, MB minus 0.65% for 2014 and after.

26

Impact of MB Freezes/Cuts

	One-Year Impact 2009	Five-Year Impact 2009-2013
Marketbasket Reductions:		
Hospital Inpatient - Operating	(\$124,079,000)	(\$1,575,471,000)
Hospital Outpatient	(\$40,141,000)	(\$517,581,000)
Hospital-Based Skilled Nursing Facility (SNF)	(\$769,000)	(\$10,085,000)
Inpatient Rehabilitation Facility/Unit (IRF) *	(\$7,361,000)	(\$96,246,000)
Hospital-Based Home Health Agency (HHA)	(\$3,662,000)	(\$57,953,000)
Long-Term Care Hospital (LTCH)	(\$5,240,000)	(\$68,515,000)

27

Cont., Pres Budget Proposal

- IME payment reductions – from 5.5% to 4.4% for 2009, 3.3% for 2010, and 2.2% for 2011 and after.
 - \$80 million reduction in FY 2009
 - \$1 billion reduction over five years (2009-2013)
- Elimination of IME payments for MA beneficiaries.
 - \$16 million reduction in FY 2009, \$85 million over 5 years
- DSH Payment reduction – permanent reduction in DSH payments, 15% in 2009, 30% reduction for 2010 and after.
 - \$46 million payment reduction in FY 2009, \$429 million over 5 years (2009-2013)
- Capital payment reduction – reduce capital payments by 5% beginning in 2009.
 - \$17 million cut in FY 2009, \$86 million reduction over 5 years

28

Cont., Pres Budget Proposal

- Bad Debt Payment Reductions – Hospital IP, OP, and SNF – 4 year phase out:
 - 25% reduction for 2009 – Impact \$22 million
 - 50% reduction for 2010
 - 75% reduction for 2011
 - Five year impact (2009-13) estimated at \$328 million.
 - No bad debt reimbursement for 2012 and after.
- Equalize payments for IRFs and SNFs

29

Action Needed – Federal Budget

- Hospital specific impact distributed Feb. 11.
- Hospitals are urged to contact members of Congress and Senators Carl Levin and Debbie Stabenow to urge them to vote against any federal Medicare and Medicaid cuts.
- These cuts would be devastating to Michigan's hospitals.
 - **FY 2009 impact - \$372 Million**
 - **Five-year impact - \$4.4 Billion**
 - (2009 – 2013)

30

MedPAC Recommendations

- Provide full MB update for IP and OP payments, while concurrently implementing a quality incentive payment program.
- Reduce IME adjustment by 1 percentage point, from 5.5 to 4.5 percent.
- Freeze payment rates for SNF, HHA, and IRFs.
- Increase LTCH payments by MB minus 1.5 %
- Update the 2008 physician payments by MB minus 1.5%.
- See March 10th MHA Monday Report article.

31

Recovery Audit Contractors

- Three-year demonstration project to recover overpayments and identify underpayments in three states – CA, FL, and NY.
- CMS is beginning the process of selecting 4 national RACs with each responsible for approximately 25% of the US, and are to be in place as early as March 2008.
- Although no official announcement has been made, Michigan is scheduled for implementation in March 2008.

32

Continued, RACs

- Providers in CA, FL and NY raised serious concerns with the RAC audit process.
- “Bounty hunter-like” contingency fees paid to the RACs for recovering overpayments.
- Many claims reversed upon appeal.
- CA claims targeted rehab admissions.

33

What types of Errors will be ID'd?

- Incorrect payment amounts
- Non-covered services
- Incorrectly coded services (incl DRG miscoding)
- Duplicate services
- Claims subject to review are those paid on/after Oct. 1, 2007.
- Eventually, the RAC may look back three years but not earlier than Oct. 1, 2007.

34

Audit Results/Payment Adjs

- RACs are required to share results with providers.
- Generally, any overpayments will be recovered through adjustments or through the reduction of current and/or future Medicare payments.

35

MHA RAC Forums

- At 1 p.m. on **March 27** and **March 31**, the MHA is hosting member forums to help your hospital be better prepared for the RAC audits.
- Registration available via MHA website at <http://education.mha.org/eweb>.
- Participation available in person, or via audio conference or videoconference.
- Kathy Reep of the Florida Hospital Association will share Florida's experiences as a demonstration state.

36

LTCH Proposed Rule

- 2009 proposed rule published in Jan. 29 Federal Register, with CMS accepting comments until March 24.
- Facility-specific impact analysis distributed by MHA on March 5.
- Projected to increase payments to Michigan LTCHs by \$2 million, or 1.2 %, in 2009.

37

Submission of “No Pay Bills”

- Hospitals are reminded that they must submit “no pay bills” to the fiscal intermediary so that Medicare advantage patients are included for **Medicare Disproportionate Share** and Graduate Medical Education payments.
- Without these claims, your Medicare DSH will **decrease** if you have significant Medicare Advantage volume.
- Hospitals may retroactively submit claims for Medicare discharge dates **on or after Oct. 1, 2006**. Hospitals are encouraged to submit their FY 2007 “no pay claims” to their Medicare FI by Mar. 31, 2008 to ensure these claims are included in the Medicare SSI file (used for the DSH calculation).

38



AHA Survey Results

- Annual MHA Advisory Bulletin that compares 2006 AHA Survey results for Michigan hospitals to those nationally.
- Includes margins, ED visits, OP visits, IP admissions, days, births, ALOS, etc.
- See MHA Advisory Bulletin # 1220, included in 1/28/08 weekly mailing.
- Powerpoint and Excel files available.

39



MHA Resources

- Website: www.mha.org
- Request password if you don't have one.
 - Email Donna Conklin at dconklin@mha.org to obtain MHA member ID number
- MHA Monday Report – electronic publication issued weekly (bi-weekly during Summer).
- Monday Report is available FREE and is distributed via email each Monday morning.
 - Go to website and select “Newsroom”, then MHA Monday Report Archive
- Advisory Bulletins – Extensive communications available only to MHA members, as needed. (Require password to obtain from website).
- Hospital specific mailings as needed for various impact analyses, etc.
- Periodic member forums

40



MHA Resources

- 2007 MHA Hospitals Fact Book
- 2007 Hospital Community Benefits Report
- 2006 Economic Impact of Health Care in Michigan
- MHA Monthly Financial Survey (MFS)
- Electronic versions of reports:
www.mha.org/mha/reports/index.jsp

41



???Questions???

Vickie Seal, Director of Finance
Michigan Health & Hospital Association
Policy & Health Delivery
110 West Michigan Avenue, Suite 1200
Lansing, MI 48933
Phone: (517) 703-8608
Fax: (517) 703-8637
email: vseal@mha.org

42