

Hospital Assessment Update

WORH Finance Workshop

August 17, 2010



WI Act 190: Rural Health Care Access Act

- Restores 100 percent cost reimbursement for CAHs providing services to Medicaid recipients. This change will add/restore roughly \$10.6 million to rates that are *currently* (as of January 1, 2010) in effect.
- Provides “access payments” to CAHs to further protect and strengthen the rural health care safety net – about \$18 million in new payments annually (an increase of roughly \$6.9 million after netting out the assessment).
- Creates a new rural physician residency assistance program and provides additional funding for health care provider education loan program – \$1 million annually.



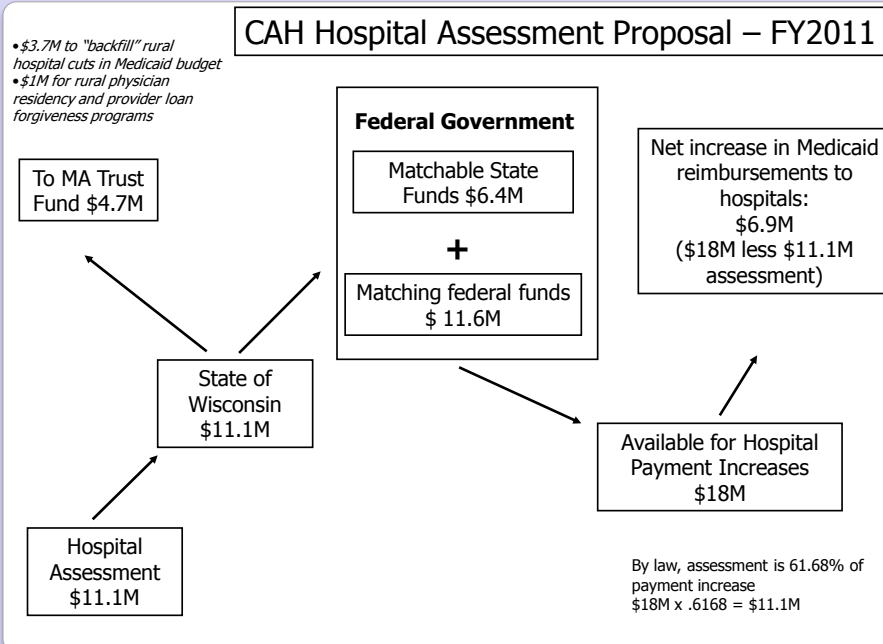
Assessment and Payment Summary

•Assessment

- Begins in SFY 2011 (July 1, 2010)
- On inpatient revenue only
 - Same rate as PPS (estimated to be 1.6%)
- Generates \$11.1 million in assessment
- \$4.7 million "Skim"
- Yields \$18 million for payment increases through access payments

•Payment Increases

- FY11 base payments returned to 100 percent of costs
- Access payments – both FFS and HMO
- 56 "winners"; 3 "losers" for overall package
- 37 "winners"; 22 "losers" for assessment alone



Critical Access Hospital Fiscal Impact

Access Payments for FFS and HMO Population

Sources: PCG Model, 2008 Hospital Fiscal Survey, WHA Analysis

Statewide CAH Impact

In Million \$

Estimated Impact of Eliminating 2011 10% MA Cut		\$10.6
CAH Assessment		
Increased Payments	<u>(\$11.1)</u>	
Net Increase		\$6.9
2011 Impact of Assessment versus 10% Cut		\$17.5

HMO Access Payment Example: July

DHS makes capitated payments to HMOs (based on HMO enrollment)

	Inpatient	Outpatient
HMO A: \$100,000	\$50,000	\$50,000
HMO B: \$175,000		

HMO A pays CAHs in its network (based on CAH utilization in June)

	Inpatient			Outpatient		
	Discharges	Percent	Payment	Visits	Percent	Payment
CAH 1	10	29%	\$14,286	180	29%	\$14,286
CAH 2	20	57%	\$28,571	360	57%	\$28,571
CAH 3	5	14%	\$7,143	90	14%	\$7,143
Total	35	100%	\$50,000	630	100%	\$50,000

Assessment and Payment Details

- Assessment rate. The CAH assessment rate must be the same as the assessment rate for PPS hospitals. The assessment rate for the SFY 2011 PPS assessment has not been determined yet. The assessment amount in aggregate for PPS hospitals is specified in the statute – the uniform rate must generate the specified amount by assessing the PPS hospitals based on each hospital's gross patient revenue. DHS estimates the SFY 2011 PPS and CAH assessment rate will be approximately 1.6 percent.
- Due September 30, 2010. The first assessment will be due from CAHs by September 30, 2010. Assessments will be due quarterly each year: September 30, December 31, March 31, and June 30.
 - *Hardship provision:* At the discretion of DHS, a CAH that is unable to make a payment by the specified date may be allowed to make a delayed payment.



Assessment and Payment Details

- Assessment basis. The assessment amount will be based on each CAH's fiscal year 2009 gross inpatient revenue as reported to WHAIC on the fiscal survey Worksheet C..
- Timing of payments. Act 190 was designed so that CAHs would receive most of each quarter's access payments prior to having to pay the quarterly assessment. Increased payments will begin on July 1, 2010, while the first quarterly assessment will not be due until September 30, 2010.



Latest Info as of 4:00 pm Yesterday from DHS

- Preliminary tax amounts will be distributed later this week for hospitals to review (both PPS and CAHs).
- Tax invoices will go out August 31 for the 1st Qtr. Assessment payment due September 30.
- HMO distributions for first 3 months should be distributed in September or October at the latest.
- FFS access payments will be turned on in September and a retro payment adjustment for the first two months claims that didn't receive access payments will follow shortly. The estimated FFS discharge access payment is \$769 and the estimated FFS visit access payment is \$32 for CAHs.



Other Important Points

- Report to the Legislature. DHS annually reports program to the Legislature's Joint Committee on Finance – now will include CAHs.
 - Has been an important feature of the hospital assessment program Shows the flow of assessment dollars through both the Medicaid fee-for-service and HMO reimbursement mechanisms, helping to ensure that the program is working as intended.
 - Includes the amount:
 - Of the assessment each CAH and PPS hospital paid in the previous state fiscal year;
 - DHS paid each HMO under the assessment mechanism;
 - Each CAH and PPS hospital received from HMOs under the assessment mechanism;
 - Of payment increases DHS made, in connection with the hospital assessment mechanism, for inpatient and outpatient hospital services reimbursed on a fee-for-service basis; and
 - Of payments DHS made to each HMO under the Medicaid program from appropriation accounts of General Purpose Revenue that is for inpatient and outpatient hospital services.



Other Important Points

- CMS approval. CMS must approve the CAH assessment program.
 - DHS will begin making payments to CAHs beginning July 1, but
 - DHS does not expect to receive CMS approval for a number of months.
 - DHS's private consultants believe the CAH assessment program is approvable by CMS.
 - However, if CMS does not approve, Act 190 requires DHS *both* to recoup payments that it has made to CAHs and to refund assessments paid by each CAH.



See the WHA Website for Additional Assessment Information

<http://www.wha.org/financeAndData/mag.aspx>

A screenshot of the Wisconsin Hospital Association (WHA) website. The page is titled "Medicaid Advisory Group" and lists "Meeting Materials". The materials are organized by date: June 15, 2010; April 28, 2010; March 31, 2010; and March 3, 2010. Each date has a "PowerPoint" link to a presentation about hospital rate setting methods for the state fiscal year. The website header includes the WHA logo, navigation links (About, Government Relations, etc.), and a search bar. A left sidebar contains a "Finance and Data" menu with various sub-links like "Health Reform", "Hospital Assessment - Resources", and "Data".