The State of the Union – Healthcare in Texas

HFMA Lone Star Chapter Winter Institute
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Texas Budget 2012-2013

- Texas Legislature Had to “Balance” a $27B Shortfall in 2011 for the 2012-2013 Budget
- State’s margins tax underperforms at $5B a biennium
- Sales Tax was down double digits in 2010-2011
- Legislature was more conservative with many “no new revenue” pledges
- Medicaid enrollment exploded during economic downturn
- Underfunded Medicaid by $5B
- No tapping the Rainy Day Fund
Still implementing changes from 2011:

- Medicaid Managed Care Statewide = no more UPL funding
- Medicaid Transformation Waiver transitions UPL to new regional payment arrangement
- 10% rate cut plus transition to inpatient statewide rate (SDA) with add-on for high cost services (trauma, teaching and wage adjustment)
- Diagnoses codes expanded and implemented (MS-DRG to APR-DRG)
- Outpatient cuts, including 40% cut for non-emergent patients in the ED
- Medicaid & Medicare Dual Eligible cuts
- Maternity and NICU changes include no payment for elective deliveries before 39 weeks, and NICU accreditation coming soon
- Potentially Preventable Readmission reductions 9/4/2012 (now delayed to Spring 2013)

UPL → Medicaid 1115 Transformation Waiver

Medicaid 1115 Waiver Pool

- Hospitals eligible for funding must commit to investing in system transformation.
- Hospitals must participate in a Regional Healthcare Partnership to receive funds from either pool.

Uncompensated Care Subpool

Pays hospitals for cost of care not compensated by Medicaid directly or through DSH

Inpatient
Outpatient
Pharmacy
Clinic
Physician

Delivery System Reform Incentive Subpool

Pays hospitals for achieving metrics that move toward the triple aim

CATEGORY 1 - Infrastructure Development
CATEGORY 2 - Program Innovation & Redesign
CATEGORY 3 - Quality Improvements
CATEGORY 4 - Population Focused Improvements
January 8, 2013

Opening Day of the 83rd Texas Legislature

The Upcoming Session

- Historic Turnover in the Texas Capitol
  - Texas Senate
    - 4 new senators of 31
    - New Finance & Education committee chairs
  - Texas House
    - Speaker Straus retains gavel
    - 40 new members of the House (150 total)

- Tea Party Effect
  - Limited growth and revenue options
Priority Budget Issues for THA

- How to Fund Medicaid
  - State Share for the Transformational Waiver
  - State Share for Medicaid DSH
  - Acute Care Provider Rates
  - Outpatient Provider Rates
  - Graduate Medical Education
  - Physician Rates and Participation
- Workforce (nursing shortage, allied health)
- Mental Health
- Trauma Fund Maintained, Fully Allocated

Physician Participation In Medicaid
SCOTUS Ruling on PPACA

- March 2010, the Patient Protection and Affordable Care Act was signed into law
- Challenged by 26 states and NFIB
- June 28, 2012, Supreme Court rules:
  - Individual Mandate is constitutional
  - Medicaid Expansion is optional for states
- July 16, 2012, Gov. Perry says Texas won’t expand its Medicaid program or create a state insurance exchange

Reactions to Ruling
We’re Number One

- More than 6B uninsured in Texas today (#1)
- If Medicaid expanded to 133% FPL ($30,657 family of 4):
  - Moderate Expectations = 3M more covered in TX
    - 50% private coverage, 50% Medicaid
  - 11.6% of Texans remain uninsured
- With no Medicaid expansion and only increase in private insurance coverage = 4.4M still uninsured

Budgetary Considerations of Expansion

- Texas cost estimate to fully expand ACA Medicaid = $15.5B over 10 years
  - Includes the “Woodwork Effect” of those eligible today
- 100% federal for 3 years, 90% for remainder
- Federal matching funds = $100.1B over 10 years
- Net gain to Texas = $85B + more insured Texans
- Doughnut hole created for 1 million Texans
  - Over 100% FPL can go into exchange w/ subsidy
  - Under 100% not eligible for exchange so remain uninsured because priced out of market
Medicaid Expansion Considerations

- **Cost**
  - EMTALA -1986 in Budget Reconciliation bill
  - TX Hospitals already providing $5B/year in UC.
  - Cost Shift from the Uninsured
    - Private insurance now $1,800/year to cover the 1 in 4 Texans who are uninsured.
  - Increased Medicaid Coverage will reduce mortality among adults
    - Esp. ages 35 – 64, minorities, impoverished areas

Economic Benefit of Expansion

- **Perryman Report on Economic Activity of Expansion:**
  - Medicaid expenditures lead to substantial economic activity, federal funds inflow, reduction in costs for uncompensated care and insurance, and enhanced productivity from a healthier population.
  - When these outcomes and the related multiplier effects are considered, every $1 spent by the State returns $1.29 in dynamic State GR over the first 10 years of the expansion.
  - Over the first 10 years of implementation, economic gains (even when fully adjusted for the diversion of State funding for other purposes) include an estimated $255.8 billion (2012 dollars) in output (real gross product) and 3,031,400 person-years of employment (an average of over 300,000 per year).
    - [http://www.perrymangroup.com/reports/MedicaidExpansionwithTables12_1003.pdf](http://www.perrymangroup.com/reports/MedicaidExpansionwithTables12_1003.pdf)
Quote....

“The probability that we may fail in the struggle ought not to deter us from the support of a cause we believe to be just.”

Abraham Lincoln

Inconsistencies

- The Texas focus is on jobs vs. Medicaid expansion, creating 3,031,400 jobs (300,000 per year) for the next 10 years
- The “Sovereign State of Texas” vs. Federal option for a state exchange
- Political discussion on “Surplus” of state budget ($9B) vs. $7B from last session deficit
- If Texas were afforded $90B from the federal government when the cost is $15 million/over 10 years in anything but Medicaid, would we take it?
  Answer: PURE POLITICS, there has not been a rational debate or discussion about this yet!
Debate Entering 2013 Session

- Is Medicaid “broken” and how to fix it?
  - Desire for more flexibility for states in admin of Medicaid.
- Value of Medicaid:
  - Non-disabled children are 66% of Medicaid caseload, 32% of cost.
  - Aged and disabled are 25% of Medicaid caseload, 58% of cost.
- How to expand coverage to adults under 100% of FPL ($30k) and address the doughnut hole.
- Can we rely on DSH to continue to cover the cost of the uninsured and Medicaid shortfall?
- Growth of HHS portion of the budget.
  - 32% is HHS; 42% on Education

Medicaid GR Budget Shortfall for Current Budget

$12.2B Medicaid Shortfall in Current Budget

- FHMAP Revision from LRR, $0.6
- Cost Increases, $1.2
- Caseload Increases, $1.0
- Full 24 Months Budgeted for FY2014-15, $4.7
- 5 Months Not Budgeted for FY2012-13, $4.7
How badly it is raining?

Total Available in FY2013 $8.1B

- Balance 3/1/2012 $6.2B
- FY2012-13 Medicaid Supplement $4.7B
- Education Deferral $1.9B
- FY2013 Contributions $1.9B
- Balance 8/31/2013 $3.4B

Looking forward to 2014-2015 Budget

Sales Tax = 56% of Texas State Revenue:
Monthly sales tax collections 13% higher than FY2011, 23% higher than FY 2012

Monthly Sales Tax Collections FY2011 - FY 2014

Spurred by continued strength in energy, manufacturing sectors; increased 8% straight months
Bottom Line for Hospitals

- Hospitals cannot sustain 25% uninsured rates or additional payment cuts in 2013 without meaningful coverage expansion
  - Viable options must be found
- Hospitals need financial stability to be able to reform the system to lower cost and increase quality:
  - Payment cuts and reforms (see slide #3)
  - Delivery system reform (ACOs, EHRs, etc.)

What’s to come for physicians...

- Continued focus on payment reform:
  - P4P, quality, outcomes, shared savings, bundled payments, clinical integration, comparative effectiveness, evidence-based medicine, pricing transparency, ACOs
- How do we create more access to primary care?
  - Use of extenders?
- Permanent solution to the SGR (doc fix)?
- Entitlement Reform?
  - Raising the retirement age and means-testing for Medicare
- Administrative Simplification?
The Regulatory Burden

TMA / THA Issues

- Medicaid Provider Rates
- Graduate Medical Education
- Patient Safety and Quality
  - Payment Reform
- Pricing Transparency
- Administrative Simplification
- Physician Employment
- Scope of Practice
Last Thought…

“The dogmas of the quiet past, are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so we must think anew, and act anew.”

Abraham Lincoln

Questions?

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