What’s Happening in Austin These Days: The Longer-Than-One-Drink Interim

Healthcare Financial Management Association – Lone Star Chapter
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The Texas Legislative Session

- Biennial regular session for 140 days
- Second Tuesday of January
- Odd-numbered years
- 8,000 bills filed on average
- THA tracks average of 900 bills
- Sine Die!
- Special sessions
- Interim
Setting the Stage for 2015

The 2015 Texas Legislature

- Governor (NEW)
- Lt. Governor (NEW)
- 31 Senators (8* NEW)
  - Senate Finance (NEW)
  - HHS, State Affairs (NEW)
- House (Speaker Straus)
- 150 Members (22* NEW)
  - Appropriations (NEW)
  - Public Health?, Ways & Means (NEW)
81 Days until the Legislature Convenes

Texas State Budget

- Biennial Budget – “Must Pass”
- Constitutional Limitations:
  - Balanced Budget
  - Spending Limit
- $95 Billion in General Revenue for Biennium
- HHS Art. II $30B = 31% of budget
- 54% of state revenue from sales tax
- Economic Stabilization Fund
  - Rainy Day Fund ($9B expected)
Major Issues for State Leaders

- Economic growth puts pressure on infrastructure
- Focus on water, roads, education & tax relief
- Political pressure to remain fiscally conservative, cut budget
  - Agencies directed to find 10% to cut
  - Honor constitutional spending cap
  - Don’t spend Rainy Day Fund (even refund it?)
- Medicaid seen as crowding out other budget priorities
- Struggling with other healthcare costs

HHS State Budget Issues: Legislator’s View

- Expand managed care in Medicaid populations
  - Budget certainty, savings, premium tax revenue for state
- No more lump-sum payments for uncompensated care
  - 1115 Medicaid Transformation Waiver
  - Pay-for-performance
- Rider 86 says no more state funds for DSH
- One-time funding increase
  - Mental health?
  - GME funding?
- Expanded focus on audit and OIG oversight
- Find additional cost containment initiatives for HHSC
  - e.g., Arbitrarily cut hospital payments for inappropriate ER utilization
HHS State Budget Issues: Provider View

- How to Fund Medicaid
  - State share for Medicaid supplemental payments
  - Acute care provider rates (inpatient, outpatient)
  - Graduate medical education funds
  - Physician rates and participation
- Renew 1115 Medicaid Transformation Waiver
- Continue:
  - Mental health funding
  - Trauma funding
- Fund Nursing School Graduates
- Coverage Expansion

Medicaid Enrollment

[Graph showing Medicaid enrollment with a notable increase from January to June 2014]
Medicaid Shortfall

Federal Funds and GR for DSH and UC
Hospital Medicaid Shortfall FY2013-16

(amounts in Billions)

Medicaid Frustration

- Growing caseloads/cost
- Overutilization/frequent fliers
- Low rates = low provider participation
  - Few physicians accepting new Medicaid patients
  - Hospitals reimbursed at 51% of inpatient cost
- Cost shifting to local governments to fund state share of supplemental payments (DSH, UPL, 1115 Waiver)
- Waste, fraud and abuse
- Federal requirements
Hospital Frustration: Cumulative Impact of Cuts

Estimated Impact of Standing Medicare and Medicaid Payment Cuts

<table>
<thead>
<tr>
<th>Year</th>
<th>Medicare Cuts</th>
<th>Medicaid Cuts</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
<td>$45,000</td>
<td>$50,000</td>
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<tr>
<td>2013</td>
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<tr>
<td>2018</td>
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<tr>
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<td>$62,500</td>
<td>$85,000</td>
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<tr>
<td>2020</td>
<td>$65,000</td>
<td>$90,000</td>
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<tr>
<td>2021</td>
<td>$67,500</td>
<td>$95,000</td>
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Plus the Added Regulatory Burden

Hospital Oversight and Audits

- Medicare/Medicaid Recovery Audit Contractor (RAC)
- Medicare Audit Contractor (MAC)
- Zone Program Integrity Contractor (ZPIC)
- Comprehensive Error Rate Testing (CERT)
- Hospital Payment Monitoring Program (HPMP)
- Office of Audit Services

Audits and Compliance Surveys:
- DHHS/Compliance Surveys
- Comptroller
- TECO
- TCEQ
- OIG
- HHS/OSHA
- CDC
- FDA
- DOJ
- SEC
- DOT
- HHS
- FAA
- TREASURY
- HHS/OSHA
- FEDERAL OMBUDSMAN
- Joint Commission
Health Care Reform: Beyond the Politics

- Health care costs are unsustainable
  - About 18% of GDP in 2011
  - Headed for 20% by 2020 (1/6th of economy)
  - Reduce resources for other programs
  - Makes the U.S. non-competitive globally
- Can’t just focus on Medicare and Medicaid
- Can’t just cut payments to providers
- “Payment reform” will continue – move from volume to value
- Need increased access to care

Addressing the Texas Coverage Gap

- Texas has highest uninsured rate in US (5th straight year)
- ACA exchange: subsidized health coverage for 133%+ FPL
- 1 million Texans in coverage gap (Less than $12,000/year individual or $24,000/year for family of four)
- Create a Texas-specific solution to provide coverage to uninsured working poor
- Feds will pick up at least 90% of cost
In Texas . . .

Financing the ACA

- $155B in Medicare/Medicaid cuts to hospitals over 10 years
- In return for more insured patients:
  - Insurance exchanges & subsidies
  - Medicaid expansion to 133% of FPL ($30,657/family of 4)
  - Insurance mandate
  - Insurance reforms (lifetime limits, preexisting conditions, medical loss ratios, etc.)
  - Move to quality-based payment system
- Expansion financed by $500B in cuts to hospitals, home health, nursing homes, Medicare advantage plans
Where do we go from here?

- Acknowledge frustration with Medicaid
- Look at other states’ solutions
  - Arkansas (private insurance model)
  - Iowa and Pennsylvania (wellness focus)
  - New Hampshire (sunset date once federal share decreases)
  - Indiana builds on Healthy Indiana in private insurance
- The Texas Way
- Continue to build coalitions (esp. business)
- Strategic campaign before session

The Texas Way

- Uniquely-Texan, private market-based coverage plan
- Improves health of low-wage working Texans and strengthens state’s economy
- State can use available federal funds – already provided by healthcare cuts to develop Texas Way to coverage
- Supports working Texans without access to coverage
- Relieves small businesses by ensuring a healthy workforce that reinforces Texas’ thriving economy
- THA supports a Texas Way to reduce uninsured and forge stronger state economy

Uninsured rates, by state

<table>
<thead>
<tr>
<th>State</th>
<th>Uninsured rate</th>
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<tbody>
<tr>
<td>Texas</td>
<td>5%</td>
</tr>
<tr>
<td>Florida</td>
<td>9%</td>
</tr>
<tr>
<td>Utah</td>
<td>2%</td>
</tr>
<tr>
<td>UK/Canada</td>
<td>12%</td>
</tr>
<tr>
<td>Virginia</td>
<td>7%</td>
</tr>
<tr>
<td>Maryland</td>
<td>9%</td>
</tr>
<tr>
<td>Delaware</td>
<td>7%</td>
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Source: Kaiser and state institute analysis of Census data
The Texas Way (cont’d)

The Texas Way Program:
- Connects uninsured Texans with private market coverage choices;
- Requires personal responsibility;
- Promotes appropriate utilization of health care services; and
- Reduces inefficient health care spending.

Cost of the Exchange in Texas

- Texans with tax credits to help purchase marketplace coverage pay about $72/month for their plans
  - Texas is 7th lowest out of 36 states using the federal marketplace
- National average for subsidized enrollees in the marketplace is $82/month
  - Several states > $100/month
Beyond Funding and Medicaid

Additional Legislative Priorities

- Funding for:
  - Supplemental hospital payments
  - Nurse graduates
  - GME
  - Trauma system
- Renew Medicaid 1115 Transformation Waiver
- Increase mental health access
- Payment for value not volume
- Align state & federal quality initiatives
Play Defense

- Pricing transparency
  - *Time* article “The Bitter Pill”
- Tax cuts w/o funding Medicaid shortfall
- Protect tort reform
- Increased licensure requirements
- End of life/Treat ‘til transfer
- Sunset review of HHS agencies
- The unknowns

Questions?

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