



2011 MAHPRM Summer Forum

June 16, 2011

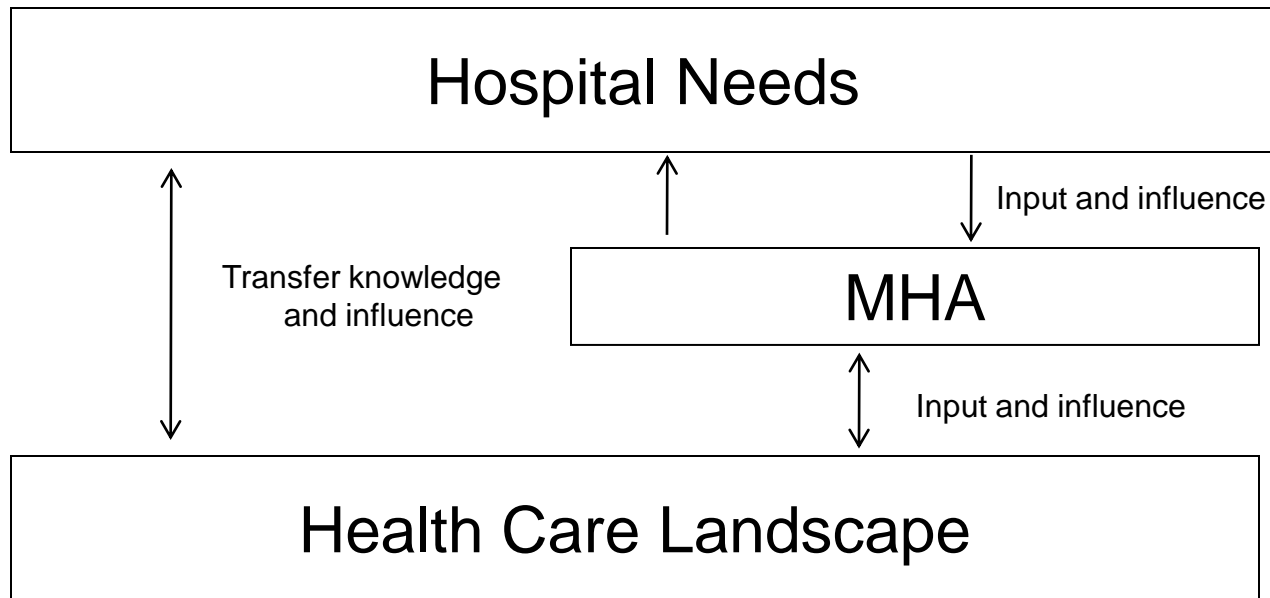
Herb Kuhn

President and CEO

Missouri Hospital Association



Understanding Hospital Member Needs and Strategies





Overview: Market Changes

- Realignment of capital investments
- Constrained reimbursement levels
- Passive payers transitioning to active purchasers
- Cost pressures
- Market consolidation
- Growth in physician employment
- New coverage through insurance exchanges and Medicaid
- Workforce shortages



HEALTH CARE REFORM

?

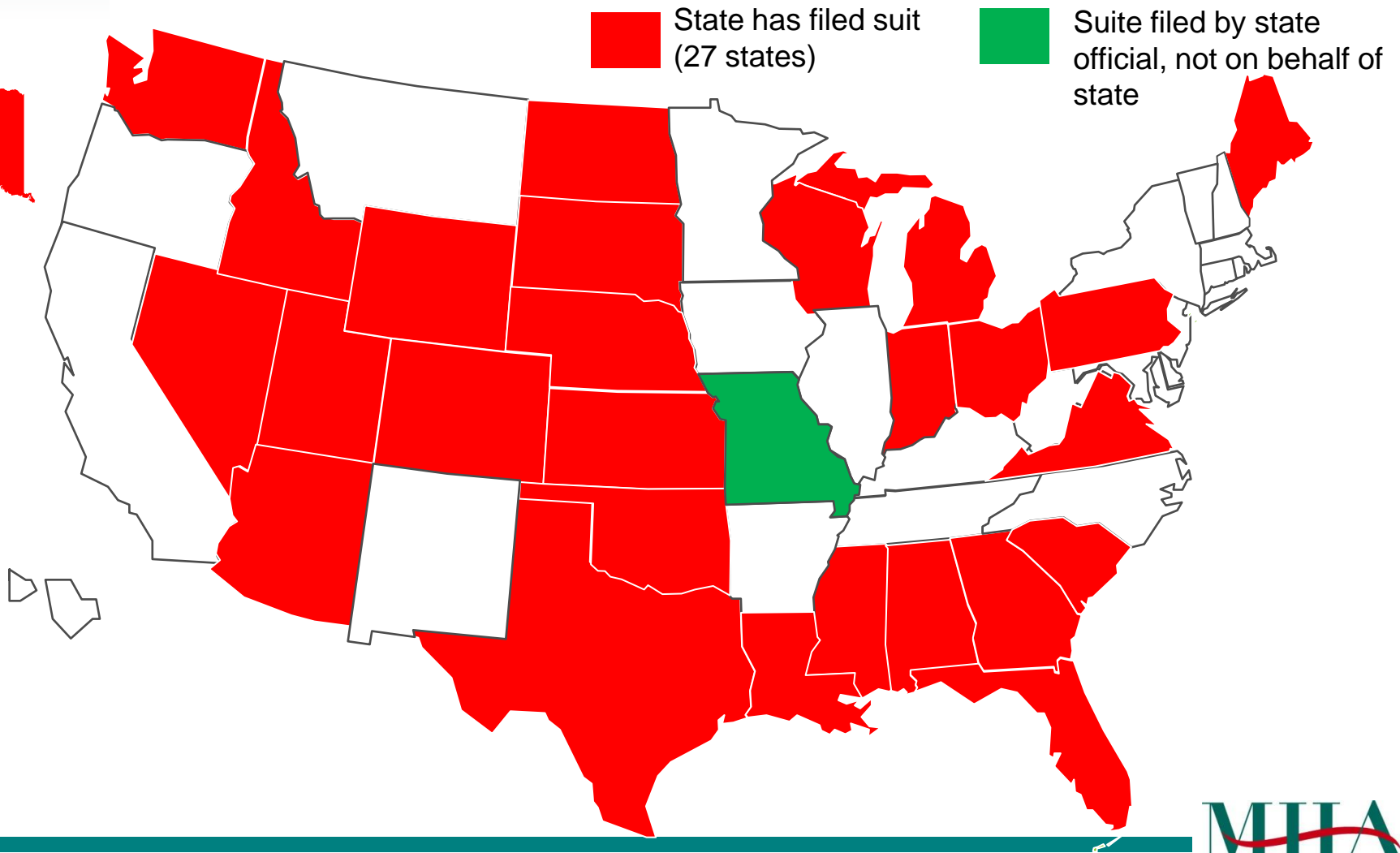
REPLACE

REFINE

REPEAL

DEFUND

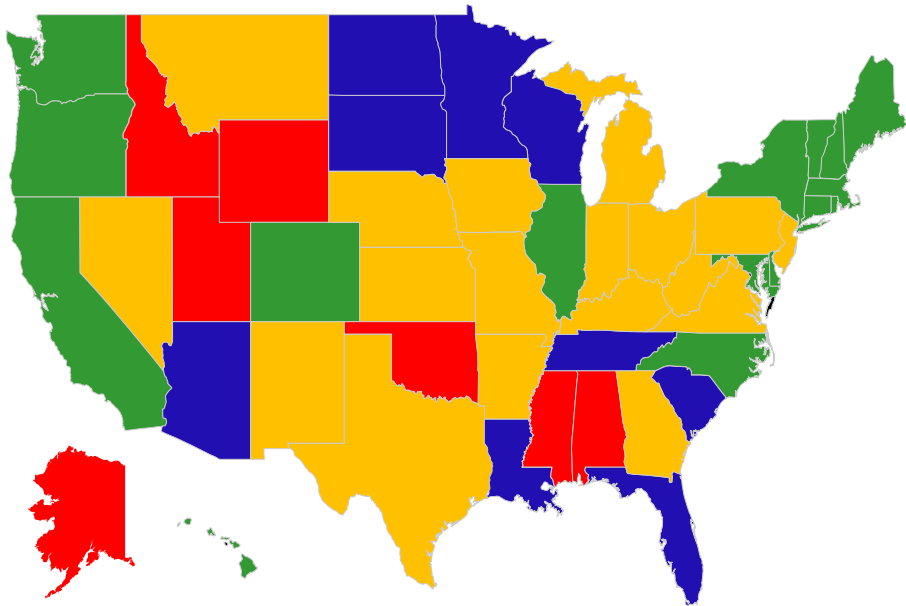
States Suing Federal Government Over Health Bill (as of 4/5/11)



States Are A Key To Reform

Reform Archetypes

Source: Harris Interactive, Ian Morrison



The Massachusetts Experience (So Far)

Individual

Uninsured was 8%, now 2.5%;
 ↑ demand for primary care providers

Provider

↑ Medicaid rate promised;
 ↓ Medicaid rate delivered;
 Can smaller unaffiliateds survive

Gov't

↑ Access easy, ↓ costs difficult;
 Reform headwind helped, no more;
 State by state solution preferred

Insurer

Fed. rules now match state;
 Pay differential a big fight;
 Viable business model?

Employer

Sponsored coverage still high;
 ↑ Cost containment needs;
 Hospitals, insurers big employers



Health Reform Implementation Timeline

Keys



= Coverage Provisions



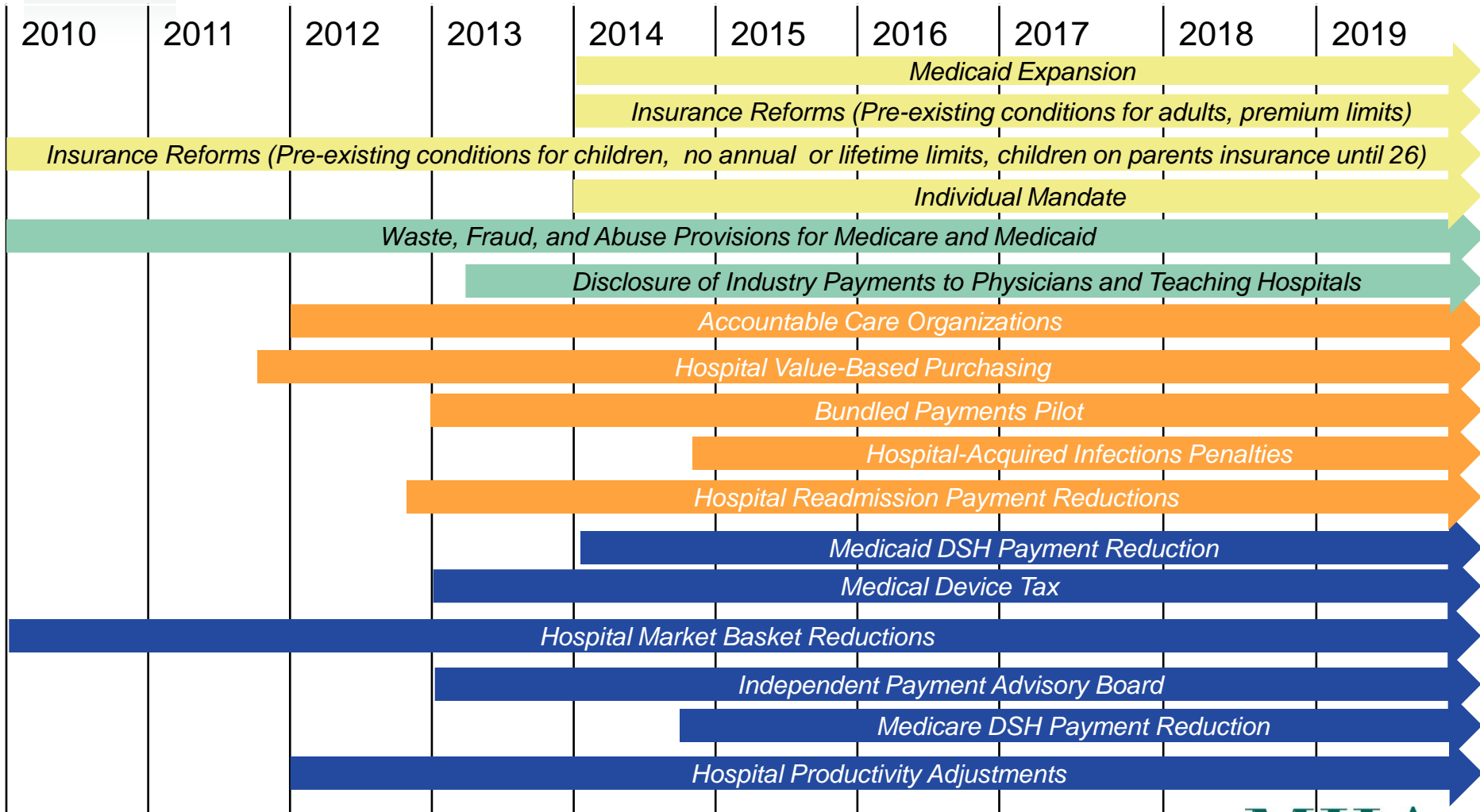
= Compliance Provisions



= Delivery System Provisions

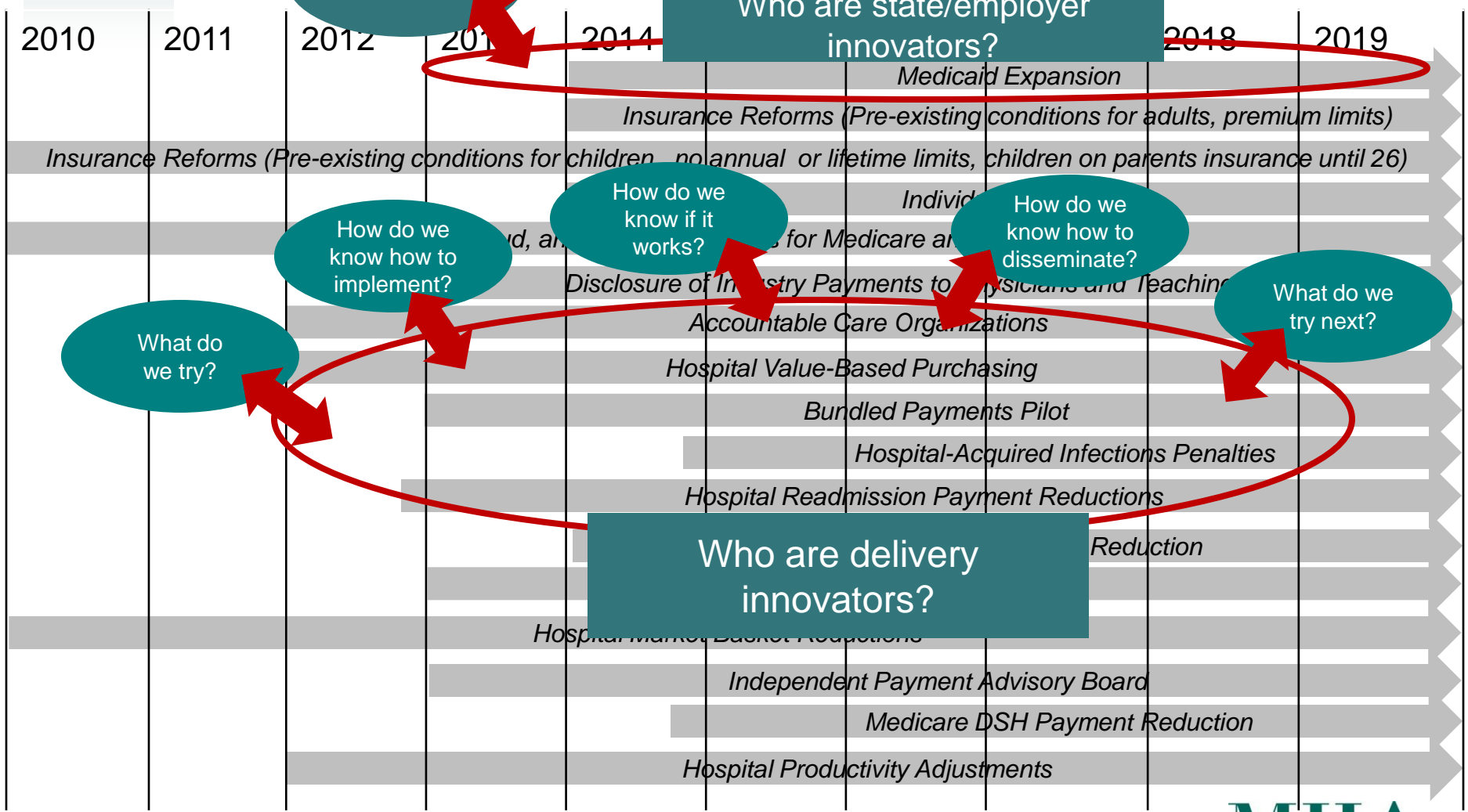


= Payment Reduction Provisions



Health Reform Implementation Timeline

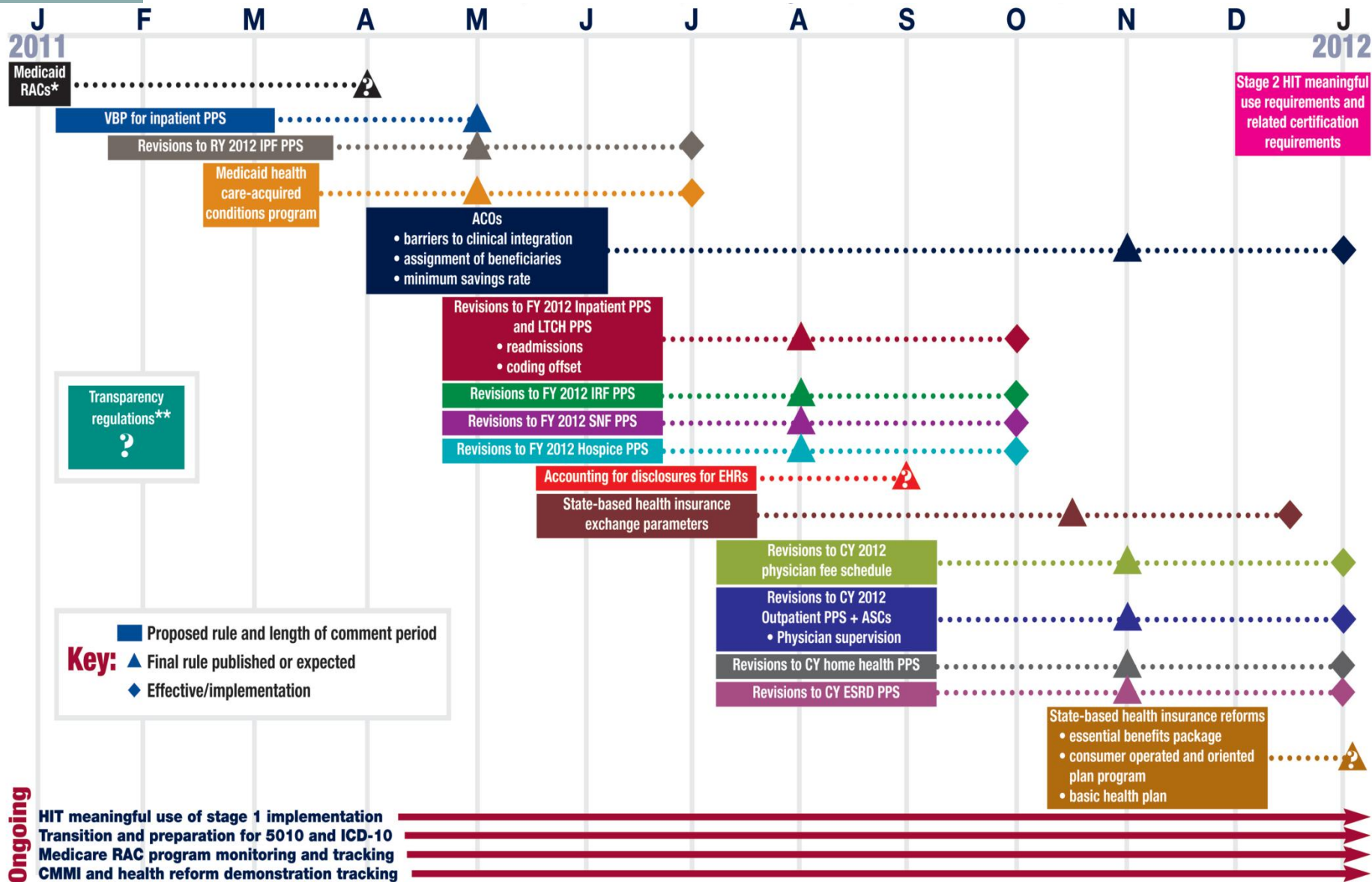
- = Coverage Provisions
- = Delivery System Provisions
- = Compliance Provisions
- = Payment Reduction Provisions





2011 Health Care Regulatory Calendar

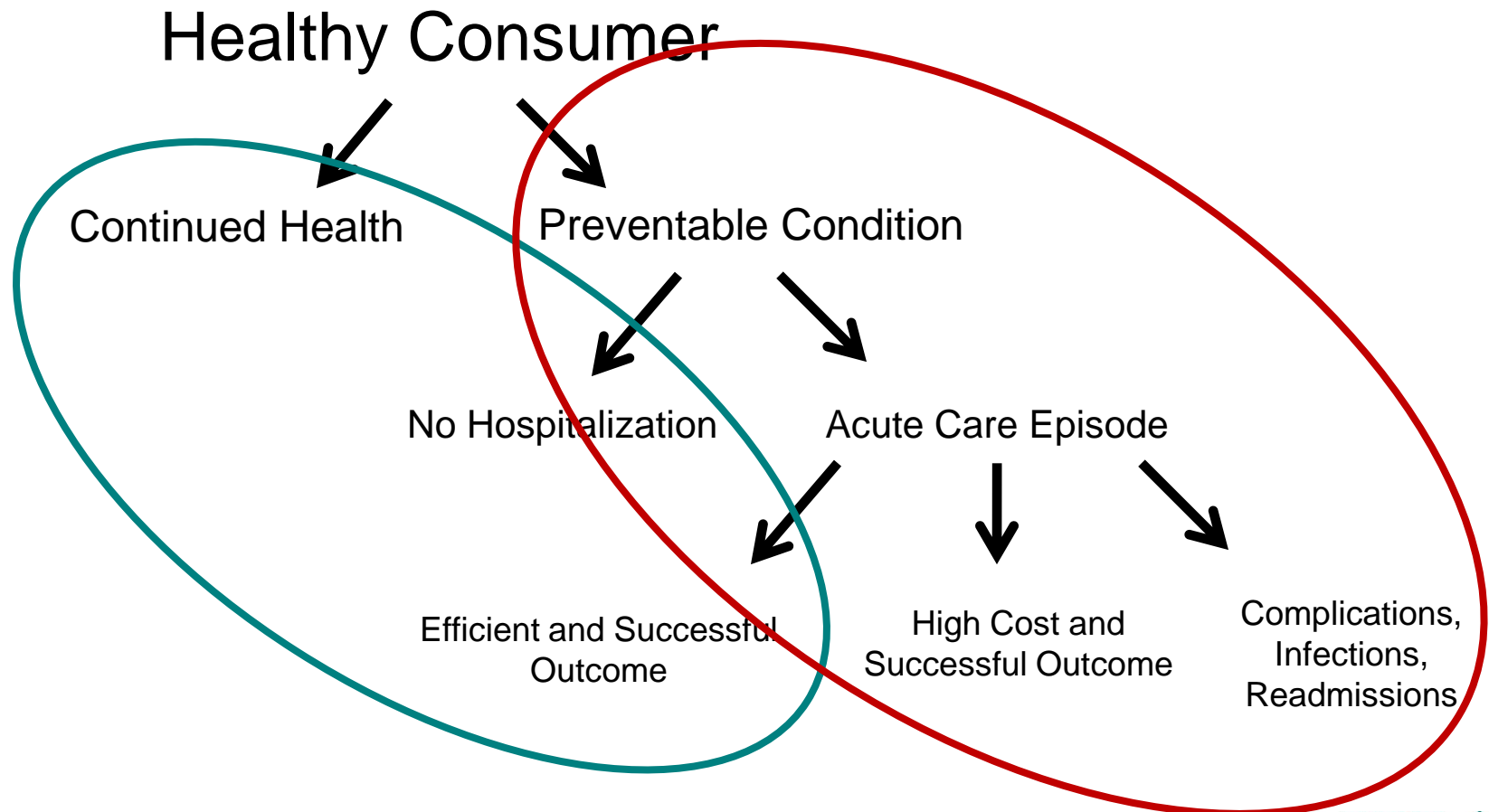
Schedule of 2011's Important Activity Affecting Hospitals and Health Systems



Note: This list is not meant to be exhaustive and does not reflect all regulations expected in 2011. Timeframes for some items are estimated or unknown.

*The Medicaid RAC proposed rule was released Nov. 10, 2010 and the comment period ended Jan. 10, 2011. **Regulations on public reporting of hospital charges and medical reimbursement data centers were expected in 2010 but were not released. They could be issued in 2011.

New Focus: Prevention and Wellness



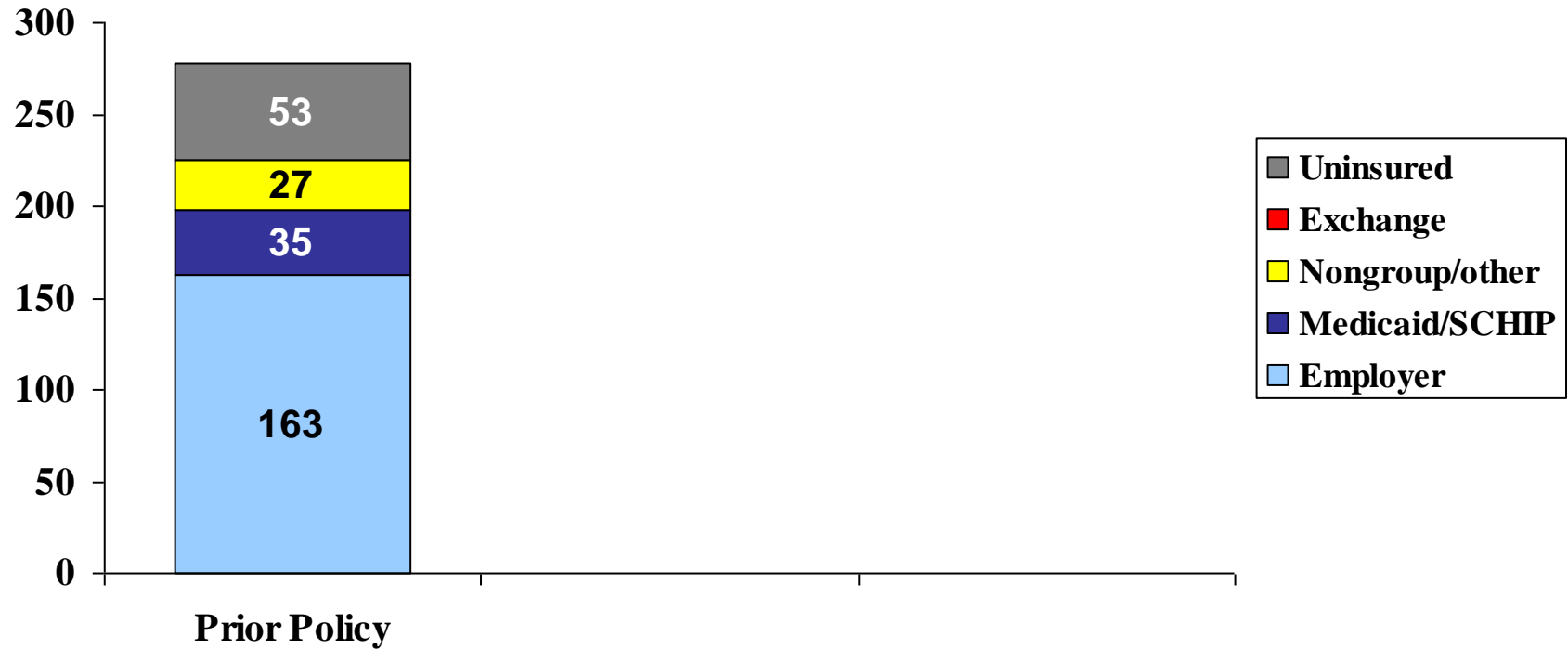
Key Implications for Hospitals



Delivery System Reform

- managing in transition – continue ongoing operations and implement new policies
- knowing what to do – and what not to do – and how quickly
- new models for care delivery (coordination across continuum) require development of care management experience
- physician alignment strategy
- payment aligned with quality

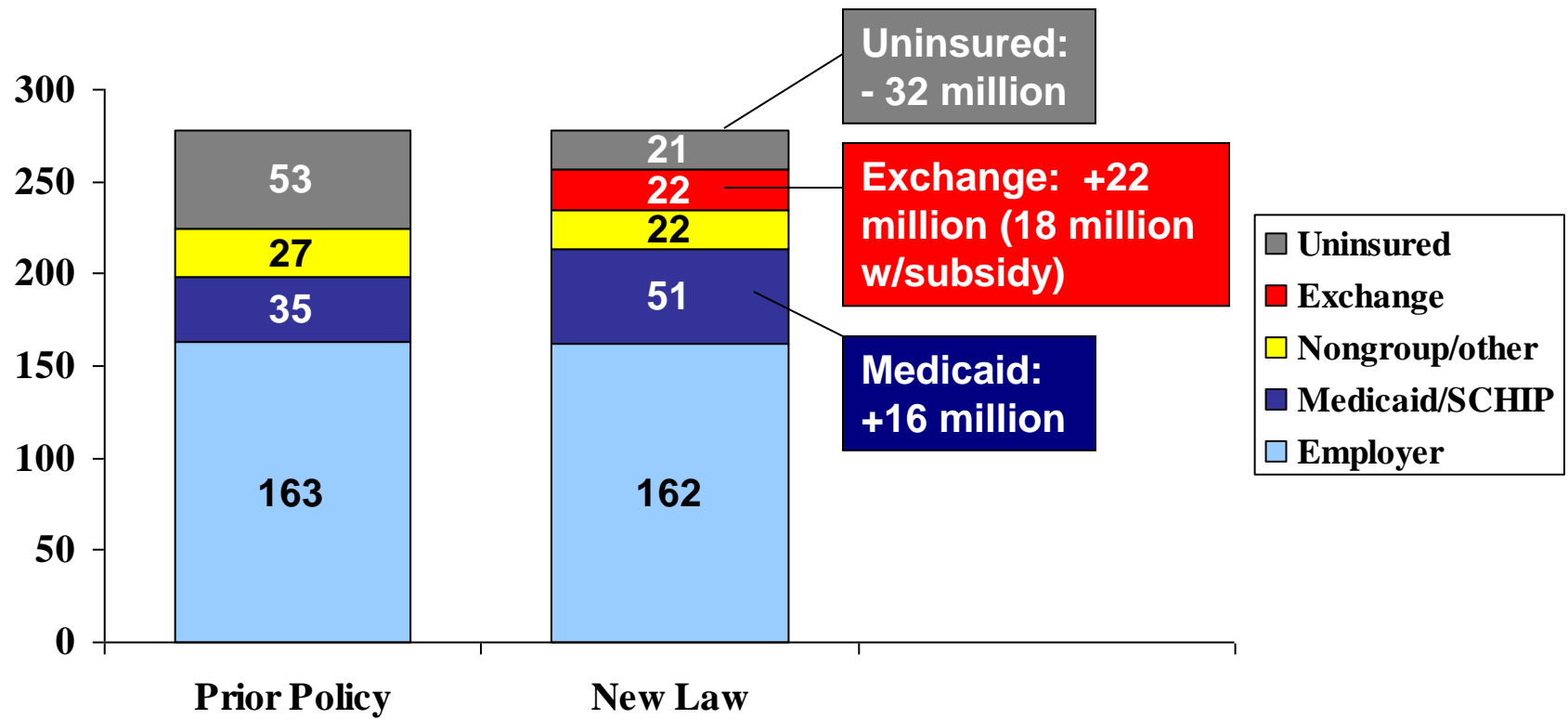
Changes in Coverage under ACA Population < Age 65, 2016



Source: Congressional Budget Office March 18, 2011 (updates original CBO estimate of March 20, 2010 without substantial change)/Health Policy Alternatives



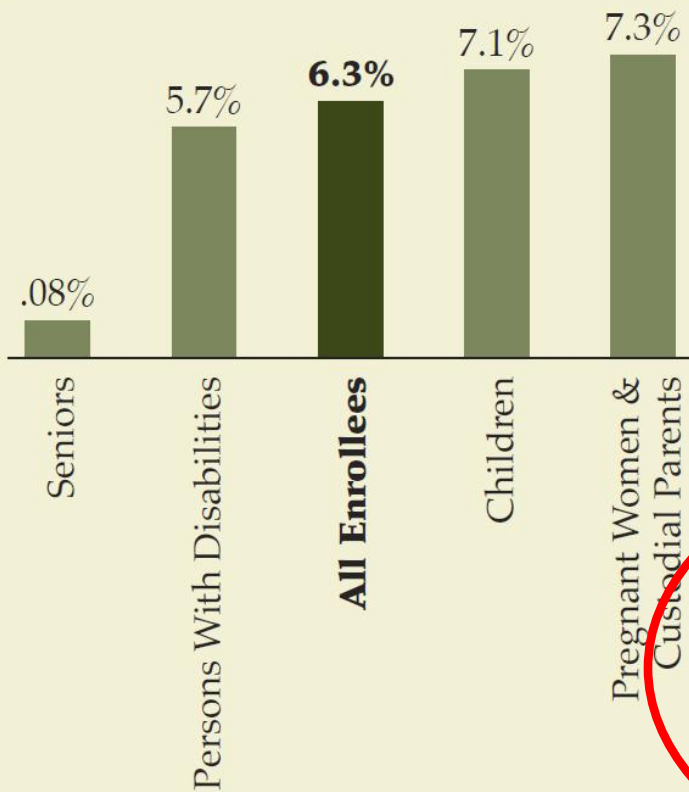
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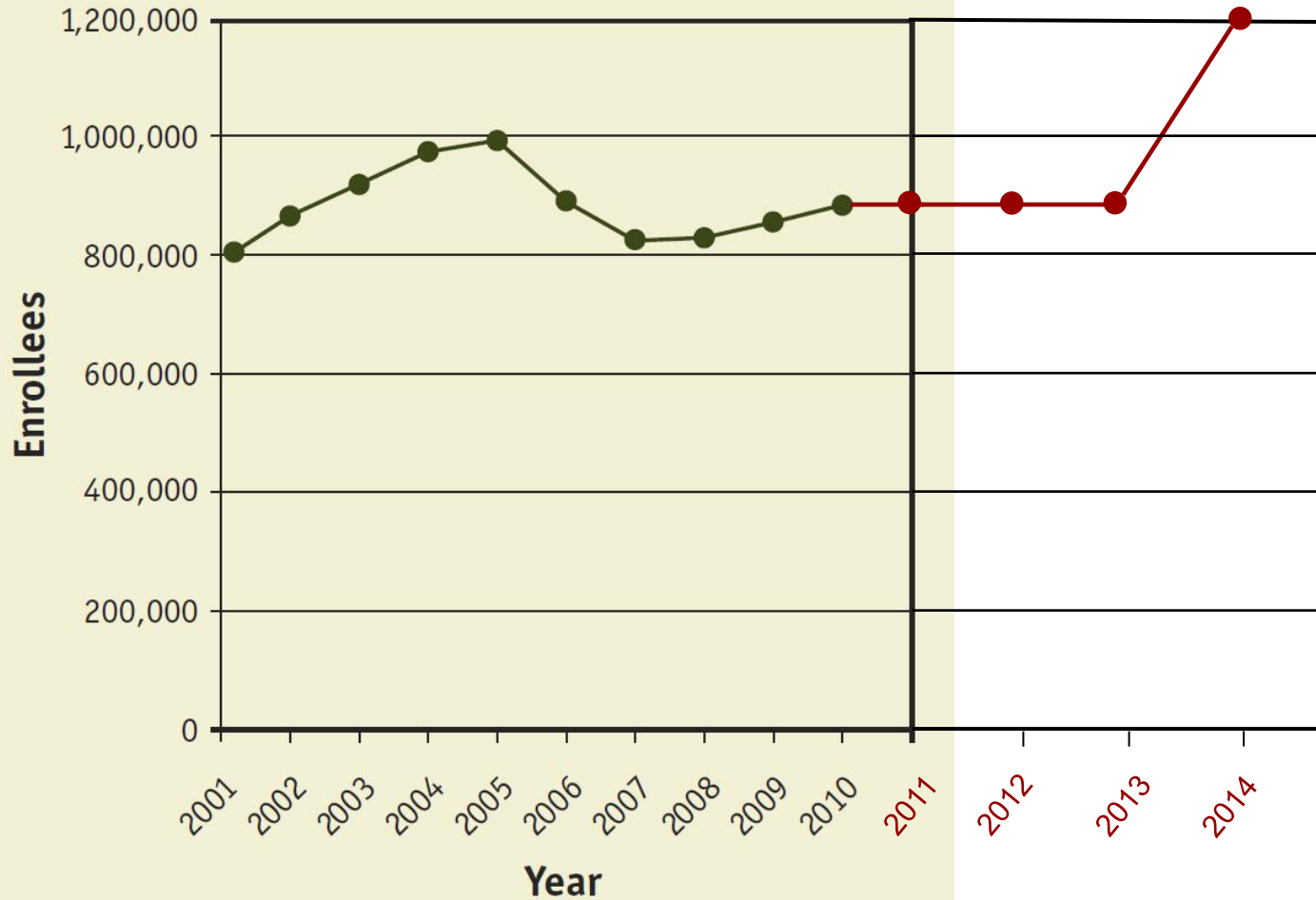
2009-2010 MO HealthNet Enrollee Growth



Missouri Medicaid Eligibility

Covered Populations	Income Guidelines*
Children (up to age 19)	<300% Federal Poverty Level (FPL)
Parents	≈18% FPL**
Pregnant Women	<185% FPL
Disabled Individuals	<85% FPL***
Missourians (age 65 & over)	<85% FPL***
Blind Individuals	<100% FPL***
Qualified Medicare Beneficiaries	<100% FPL

Changes in MO HealthNet Enrollment, SFY 2001-2010



Hospital Update Factor Reductions

2010-2011 (begins April 1)	MB minus	.25
2012-2013	MB minus productivity	+ .10
2014	MB minus productivity	+ .30
2015-2016	MB minus productivity	+ .20
2017-2019	MB minus productivity	+ .75
10 years savings \$113 Billion		

Mandatory Medicare Quality P4P Initiatives

FFY 2013

FFY 2015

<p>Inpatient Readmissions</p> <ul style="list-style-type: none">• Implemented October 1, 2012 (FFY 2013)• Reduces Medicare reimbursement by \$7 billion / 10 years nationwide	<p>Inpatient Value-Based Purchasing</p> <ul style="list-style-type: none">• Implemented October 1, 2012 (FFY 2013)• Budget neutral; redistributive within PPS system	<p>Health Care-Acquired Conditions</p> <ul style="list-style-type: none">• Implemented October 1, 2014 (FFY 2015)• Reduces Medicare inpatient hospital reimbursement by \$ 1.4 billion / 10 years nationwide	<p>EHR Meaningful Use (ARRA)</p> <ul style="list-style-type: none">• Medicare payment penalties assessed against eligible hospitals and physicians that fail to be meaningful users by October 1, 2014 (FFY 2015)
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ST. LOUIS POST-DISPATCH

TUESDAY • 03.16.2010 • \$1.00

Nixon taking aim at tax credit programs

As our man in Jeff City Tony Messner noted in this post over on Political Fix, Gov. Jay Nixon is getting out his budgetary axe, and may take a big bite out of the tax credit programs that his speech was a bit short on specifics, Tony said. When pressed on what programs he might go after, the governor mentioned historic and low income housing tax credits, both of which are key to economic development. P.S. Are you up with the estate and here. As our

COLUMBIA DAILY TRIBUNE

— COLUMBIA, MISSOURI —

Governor targets scholarships

was set up to give students, particularly students from low-income families, access and choice in higher education," Forsythe said. The state system is that big for everyone, public and private, and it's not just about the financial training." Schaefer's bill would provide \$2,850 to students attending four-year institutions, public and private, beginning in 2014. College presidents are scheduled to meet next week to come up with some new arrangement.

THE KANSAS CITY STAR

Missouri cuts make no sense, re-advocates say

KANSAS CITY BUSINESS JOURNAL

Missouri Department of Transportation will cut 400 jobs, \$203M in spending

The Missouri Department of Transportation plans to cut \$203 million in spending and 400 jobs in response to stagnant state revenue, uncertainty with federal dollars and rising employee benefit costs. "I have been saying for quite some time that transportation funding is headed over a cliff," MoDOT Director Pete Rahn said. "Now we are forced to make tough decisions that will make MoDOT smaller and change the way we do business." Rahn said the job cuts would occur without layoffs but through attrition and a hiring freeze on 75 percent of the positions that become vacant through June 30, 2013. The department also plans to reduce the number of offices and buildings it owns and cut spending for



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Gov. Jay Nixon proposes consolidating state's education departments

SPRINGFIELD — Two education departments would become one, 1,000 state jobs would be lost and 2,000 state cars would be sold under sweeping cuts proposed by Gov. Jay Nixon at a speech before business leaders in southwest Missouri today. "To get the savings that we need, we must right-size our government," Nixon said at the annual meeting of the Springfield Business Development Corporation.

Nixon also proposed a cap on some tax credits — which coast against state revenue. That's an idea that Sen. Jason Crowell, R-Cape Girardeau, has been pushing in the Legislature.

Sen. Gary Nodler, R-Joplin, said Nixon's proposals were "a good start." Nodler, the former Senate budget chairman, was at the speech. "There are many good ideas here," Nodler said. "But they will not get us to \$500 million."

Nixon, facing a budget deficit in the 2011 fiscal year, said he and lawmakers will need to cut \$500 million out of the budget he proposed in January. To get there, Nixon is proposing a major overhaul of state government, including consolidating the Department of Elementary and Secondary Education, and the Department of Higher Education, into one department. Nixon also proposed a consolidation of the Highway Patrol and the Water Patrol in his speech. One of the major changes proposed by Nixon would also be privatizing child support collection in the state. He said that privatization had been successful in other states. Missouri's budget situation continues to tighten as revenue is not keeping pace with projections. To make the budget balance in 2011, Nixon proposes cutting 1,000 more state jobs (he has already cut 1,800), selling about 2,000 cars from the state's fleet, and selling some state buildings.

"In many areas, tax credits aren't producing a positive return on development," Nixon said.

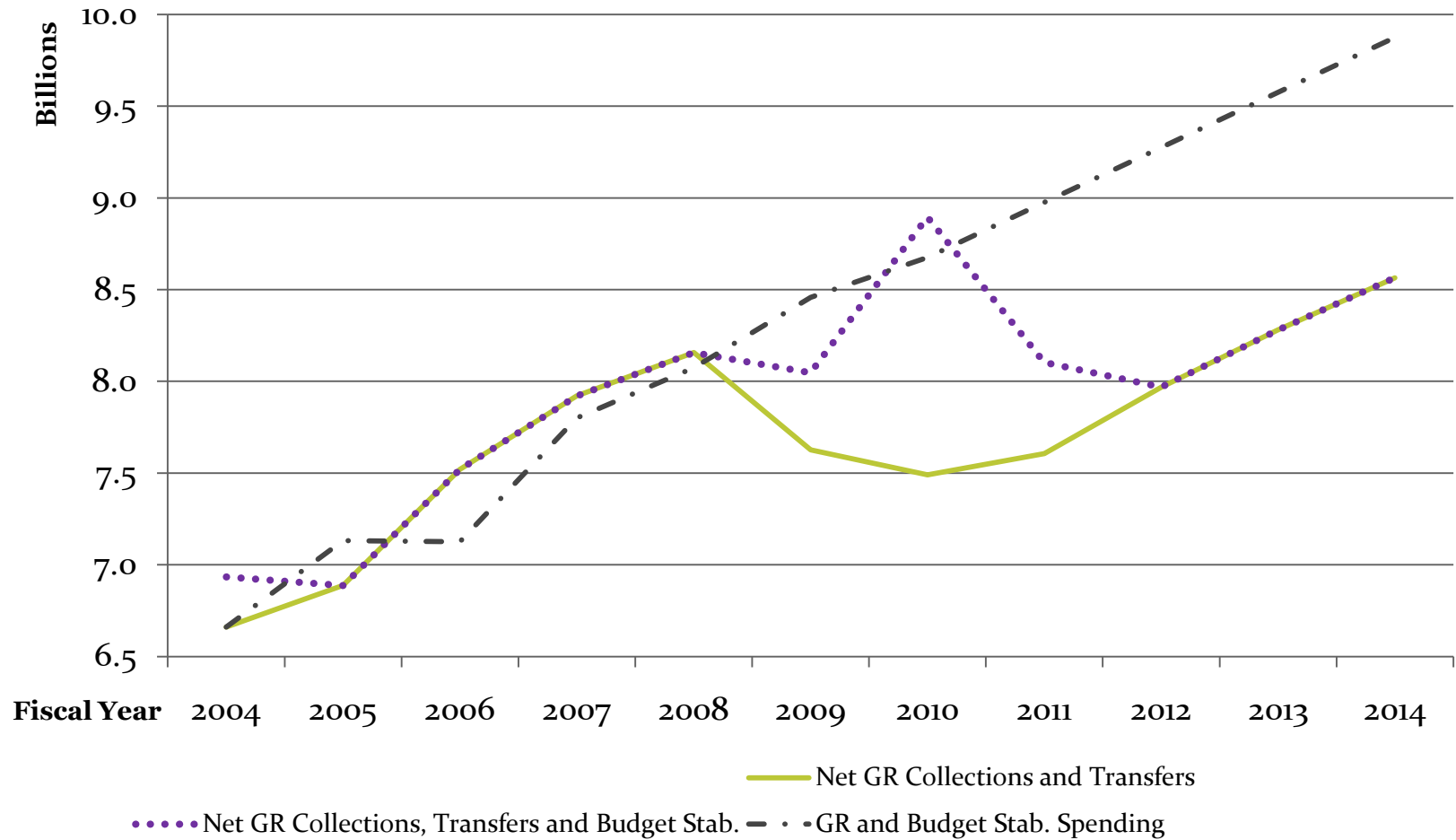
Revenue projections for the year are down 12.7 percent, according to the Department of Revenue, spurring Nixon to announce an additional \$120 million in budget cuts from the current year's budget. Nixon has cut \$850 million from the budget passed by lawmakers last year because of lagging revenues.

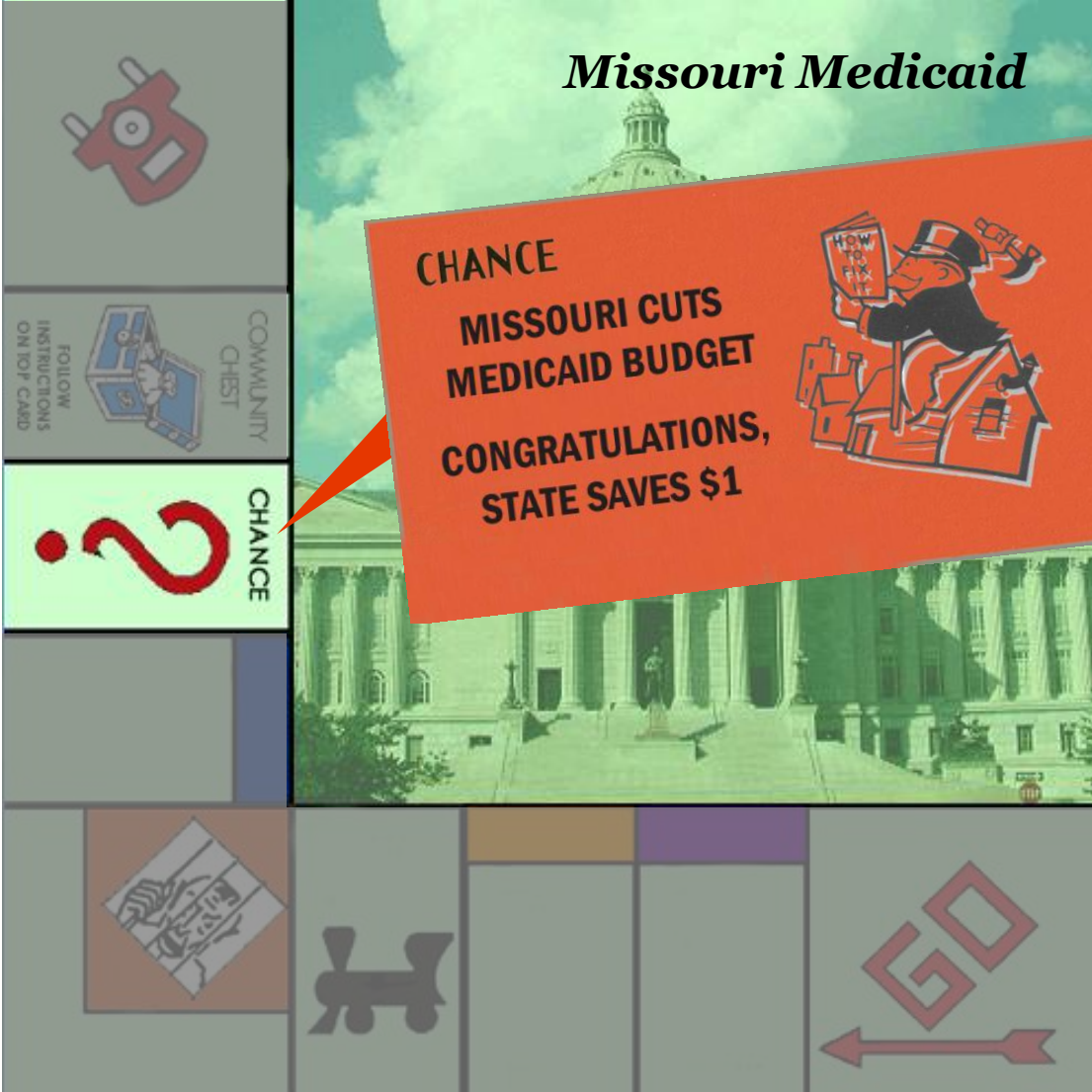
One Nixon idea that is sure to meet some legislative resistance, Nodler said, is the proposal that some savings be found in the Access Missouri scholarship program, which gives students going to public and private colleges and universities in Missouri need-based aid. Nixon said in his speech he doesn't believe the private school students, as it does now, proposed evening out the aid between public and private school students. Nixon said eliminating the aid to pri-

Nixon spokesman Jack Casletti said that the initiatives outlined by Nixon



Revenue and Spending





Missouri Medicaid

**CHANCE
MISSOURI CUTS
MEDICAID BUDGET
CONGRATULATIONS,
STATE SAVES \$1**



Red robot icon

FOLLOW INSTRUCTIONS ON TOP CARD

COMMUNITY CHEST

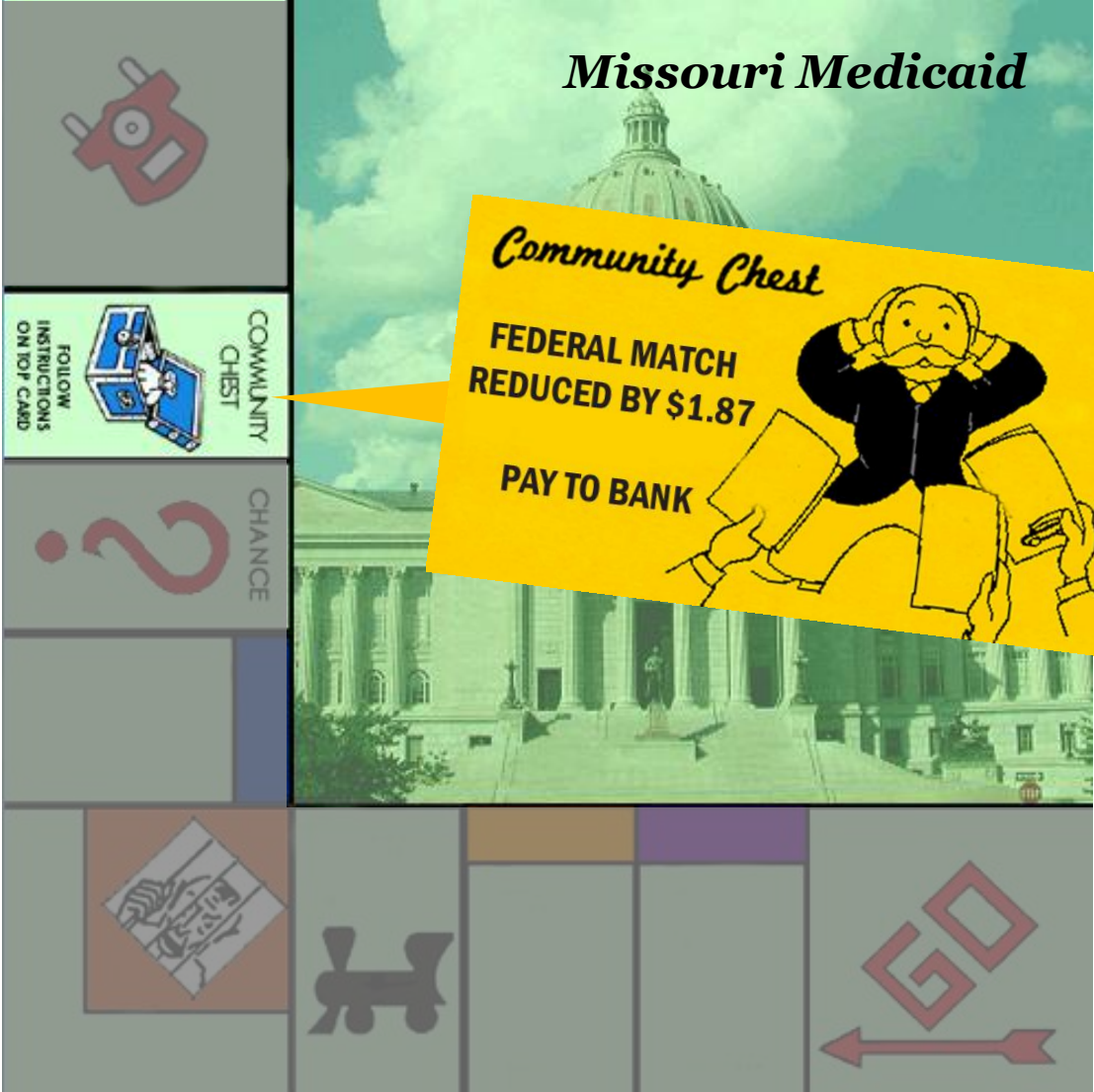
Red question mark icon

CHANCE

Diamond icon with hands

Train icon

GO icon with arrow



Missouri Medicaid

Community Chest

**FEDERAL MATCH
REDUCED BY \$1.87**

PAY TO BANK



FOLLOW
INSTRUCTIONS
ON TOP CARD

COMMUNITY
CHEST



CHANCE





Missouri Medicaid

Total State Savings = \$1

Provider Revenue

Lost = \$2.87

*Passed on in higher costs
of care to individuals
and businesses.*

The Role of the FRA

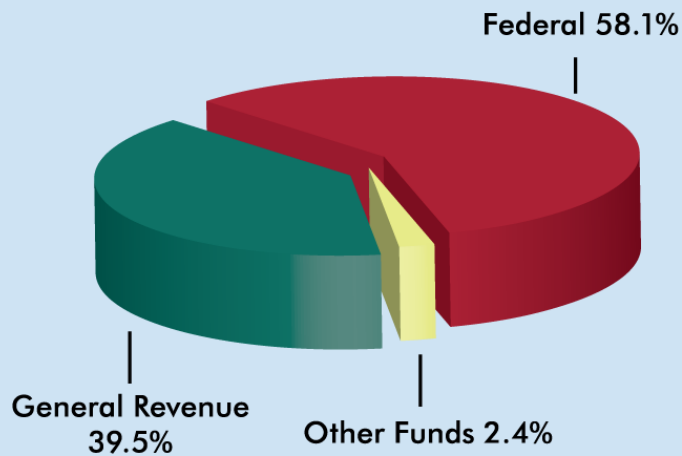
FRA Assessment Compared to State Sources of General Revenue

Revenue Producer	Revenue Fiscal Year 2010
Individual Income Tax	\$5,483.9 million
Sales and Use Tax	\$1,791.7 million
Hospital FRA	\$885.1 million
Corporate Income Tax	\$502.2 million
County Foreign Insurance Tax	\$194.2 million

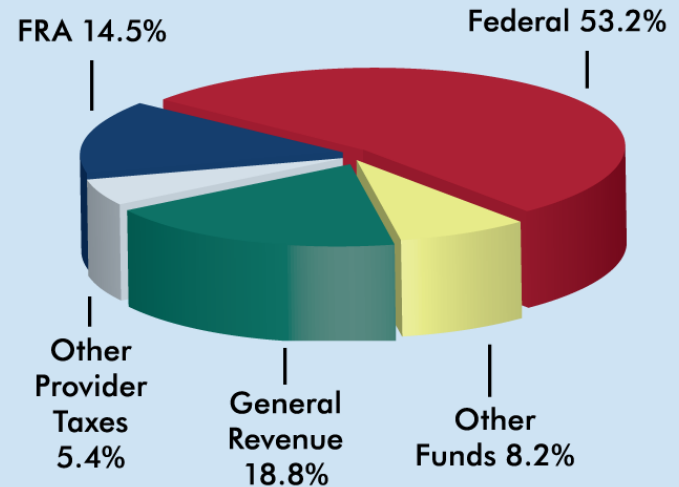
The Role of the FRA

MO HealthNet Appropriations

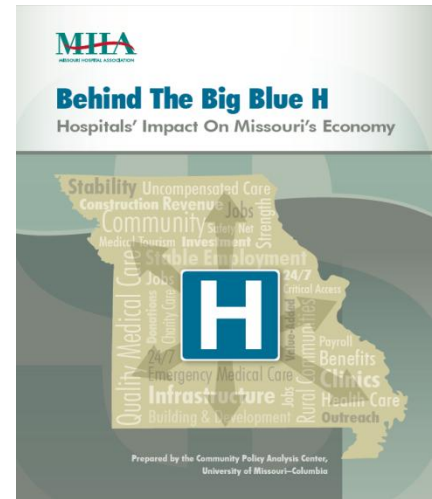
State Fiscal Year 1990



State Fiscal Year 2010



Strong Communities Need Strong Hospitals



In 2009, Missouri hospitals had:

- 147,165 full time equivalent employees
- \$8.1 billion paid in employee salaries
- Stable employment while the state lost 91,500 jobs
- \$1.2 billion in unreimbursed care
- \$847 million in FRA revenue to support Missouri Medicaid program



Impact of State Medicaid Program

- On average Medicaid comprises 16 percent of Missouri's hospitals' revenues and expenses
- This translates to:
 - \$1.3 billion in payroll
 - 23,546 employees



Key Implications for Missouri

1. Implementation of new programs and mandates (exchanges, coverage, insurance rules)
2. Stabilizing current care platform
3. Developing new payment and delivery models
4. Ability to enroll new Medicaid eligibles
5. Financing new programs during period of declining budgets



Thank You

Questions?