

# MHA Report Spring 2018



**BOB OLSEN, SENIOR VICE PRESIDENT  
MONTANA HOSPITAL ASSOCIATION  
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# Agenda

State Issues

HUF – Projections and Options

Transparency

Medicaid Expansion

State Budget Outlook

Federal Budget

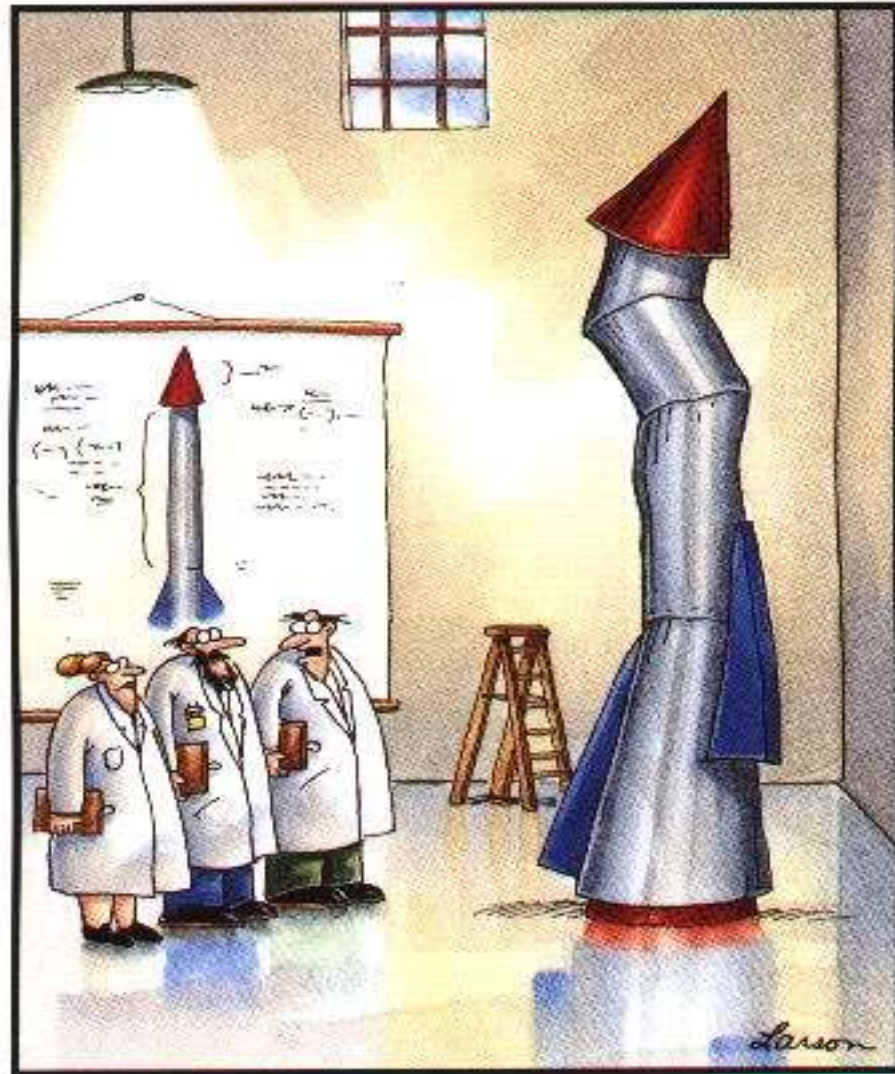
Health Reform

ACA

Payment Reform

Regulatory Relief

Election Cycle



"It's time we face reality, my friends. ...  
We're not exactly rocket scientists."

# 2018 HUF Process



- \$22,600,000 paid in taxes, up 1.47% over 2016
- Initial total HUF payment calculated at \$181 million
- MHA asked DPHHS to consider suspending supplemental DSH payments in favor of higher supplemental Medicaid payments
  - Initial calculation of this policy showed \$2.3 million additional funds in SFY 18 and \$22 million in SFY 19 potential.
  - Further analysis is needed to determine if this policy works in 2018 due to the Medicare Upper Limit. Likely to work better in 2019 .
  - State has a proposed rule and state plan amendment in play.
- DPHHS made a payment equivalent to 75% of the HR1 and HR2 payments as calculated in February. \$131 million.
- DPHHS will make an additional payment no earlier than 4<sup>th</sup> Q of SFY 18. Currently estimated at an additional \$50 - \$52 million.

# Implications about the HUF



- Hospital payments from Medicaid very near the upper limit in SFY 17. About \$100 million gap in outpatient remains.
- Hospitals receiving DSH may face recovery or redistribution payment in audit due to the higher payment.
- Hospitals are being paid substantial additional funds during a budget crisis – Accountability.

# HJR 20 Interim Study on Transparency



- **Purpose:**
  - To study ways the state of Montana can ensure that health care consumers receive transparent information about price and options for comparable health care services.
- **Goals:**
  - 1. Understand provider costs and reimbursement sources
  - 2. Identify factors that set health care prices
  - 3. Determine what consumers want and need to know about health care costs and pricing
  - 4. Identify effective methods and processes for educating consumers about health care costs and pricing
  - 5. Determine what the role of the State of Montana should be in ensuring health care pricing transparency
- **End product could be legislation for the '19 session**

# HJR 20 Recommendations



- No need for additional price disclosure in Montana law as provider and payers act to improve process
- Endorse the development of a statewide HIE based upon the pilot project underway in Billings.
- No all claims/all payer database
- No recommendation on ‘surprise bills’ or public information system for prescription drug costs.
  - Could be legislation on these issues developed independently

# Medicaid Expansion



- More than 91,000 signed up
- HELP Act sunsets June 30, 2019
- Tobacco Tax initiative includes removing sunset
- Legislators have mixed feeling about the program
  - May not be a path forward other than initiative process
  - Program changes sought by some: impose mandatory work requirements, create an asset test, Hutterites, premiums and sanctions.
- Hospital accountability –
  - What happened to the money paid by Medicaid?
  - How did expansion impact employer-sponsored health costs

# State Budget



- **SFY 18 – did we get out alive?**
  - 2.99% rate cut due to revenue shortfall
  - 5% inpatient, 10% outpatient rate cut for DRG hospitals
  - Lost provider based billing and lower Passport payments
  - Added pre-authorization of a host of services – more gov't
- **SFY 19 – Not much going on.**
  - Physicians and nursing homes to receive rate hikes.
  - No new money to backfill prior cuts or restore services
  - State revenues appear to meet HJR estimates
- **SFY 20 -21 - Outlook**
  - Just starting the process – but state is likely to be short general fund revenues.
  - Human service, education and other agencies significant funding needs.



# Federal Budget

Continuing Spending Resolution

Tax Reform

Spending agreement for FFY 18

Trump Budget

What will Congress do with FFY 19?



# Government Funding CSR



- Debt ceiling lifted until March 2019
- Raised caps on military and domestic funding for two years
- Funds FY 2018 through March 23
- Hospice Cuts
- Two additional years of Medicare sequestration

# Tax Cuts and Jobs Act



- Hospital Tax-exempt Bonds Preserved
- Advance Refunding of Bonds
  - No advance refundings after Dec. 31, 2017
- ACA Personal Mandate Repealed after Dec. 31, 2018
- Medical Expense Deduction Extended at 7.5% until 2019
- Interest Deduction for Corporate Debt Capped at 30%, but based on House definition of income until 2022
- Executive Compensation Tax 21% employer excise tax for top five over \$1 million

# Omnibus Funding Bill



- Funds Government through Sept. 30, 2018
- \$1.3 Trillion
  - + Opioids
  - + NIH
- No Marketplace Stability measures
- Veto drama?
- Last train before mid-term elections?

# BBA 2018 Key Provisions



- Extends funding for Children's Health Insurance Program (CHIP) – through 2027
- Delays Medicaid Disproportionate Share Hospital (DSH) cuts for 2 years
- Low-volume adjustment program 5 years
- Ambulance add-on Payments (5 years)
- Extended enforcement moratorium on outpatient supervision for 2018 – 2019
- Extended 2% sequester 2 years until 2027
- Repealed outpatient therapy caps

# BBA '18 Other Key Provisions



- Eliminated clause requiring increased more stringent standards over time for electronic health records (EHRs) – Meaningful Use requirements
- Repealed the Independent Payment Advisory Board
- Eliminates geographic barriers for telehealth for stroke patients
- Extended Geographic Practice Cost Index (GPCI) in physician fee schedule through 2019
- Funded CHCs from \$3.6 billion to \$3.8 billion in '18 and \$4 billion in '19. Ensure collaboration with hospitals to improve care coordination, reduce ED

# BBA '18 Other Key Provisions



- National Quality Forum (NQF) funding
- Physician Quality Payment Program
  - Application of MIPS payment adjustments only to professional services, rather than to items and services
  - MIPS cost category increased to 30% over 3 years rather than sooner. Currently at 10%
  - Additional 3 years to increase performance threshold for positive payment adjustments
- Updated fraud & abuse provisions
- Accelerated closing the Part D drug “Donut Hole” for Seniors

# BBA '18 Post Acute Provisions



- Home Health (HH) payment reform in 2020
  - Payment based upon 30 day unit of care (currently 60 days)
  - Consider case mix adjusted model
  - Updated current fees by 1.5% in 2020.
- Skilled Nursing Facilities (SNF) payment update set at 2.4% for FY 19
- Long-term Care Hospitals (LTCH)
- Physician fee schedule update reduced from 0.5% to 0.25% in 2019.
- Ineligible for Medicaid due to winning the lottery



# President Trump's Budget FFY 19



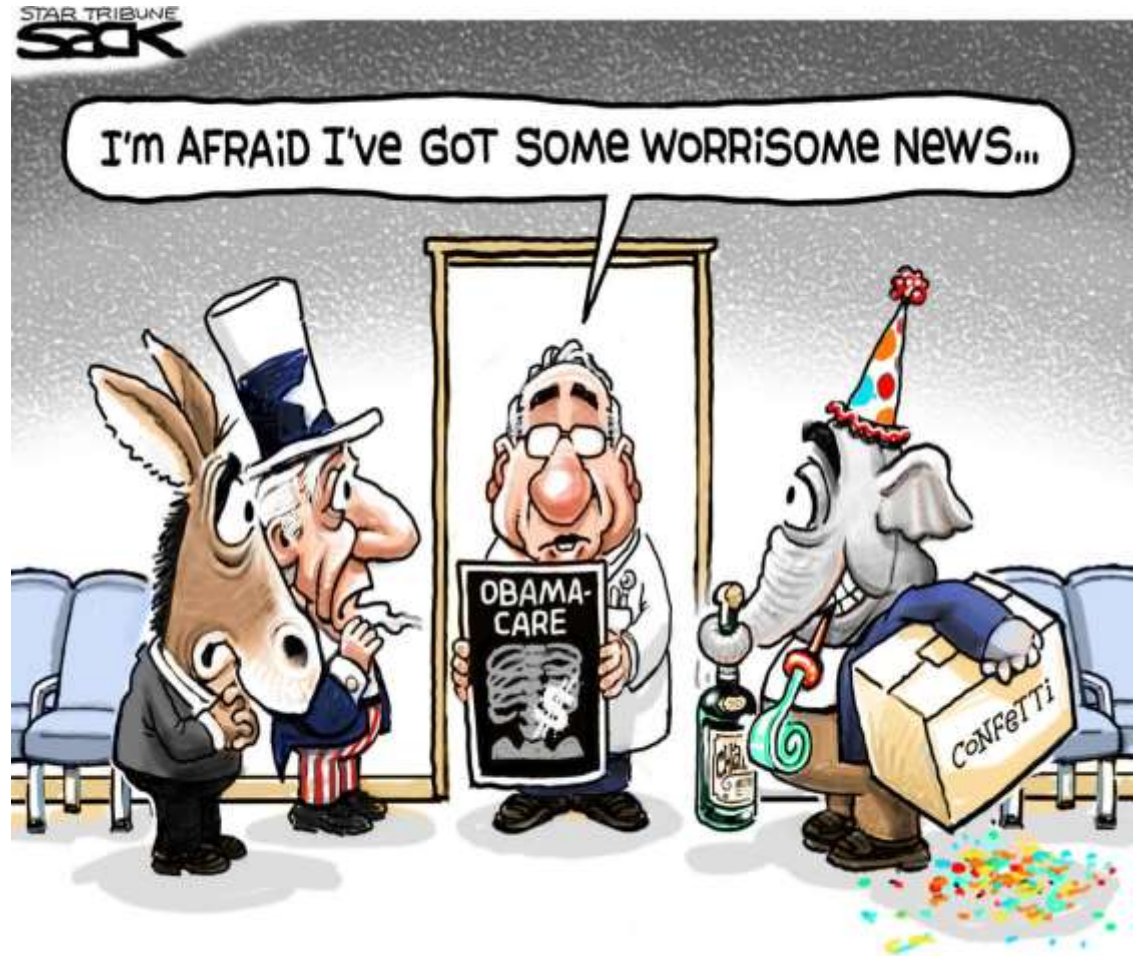
- Repeal Medicaid expansion & block grant program (-\$679 B)
- Combine Medicare, Medicaid & Children's GME (-\$48.1 B)
- Redistribute OPPS payment cuts to 340B hospitals based on charity care (n/a)
- Use S-10 to determine Medicare UC payments (-\$69.5 B)
- Site neutral pay policy for post acute care (-\$80 B)
- Reduce Medicare bad debt payments (-\$37 B)
- Pay all hospital-owned outpatient settings at physician office rate (-\$34 B)
- Continue Medicaid DSH reductions past FY 2025 (-\$19.5 B)
- Medical liability reform (-\$30 B)
- Fighting opioid crisis (\$10 B)

# Health Reform

Repeal and Replace

But with what? When?

The beat goes on...



# Potential Executive Actions



- Create additional exemptions to employer mandate
- Revise medical loss ratio
- Extend availability of non-compliant ACA plans
  - CMS considering regs to allow 12 month 'short term plans'
- Failure to pursue premium stabilization actions
- Increase barriers to enrolling in marketplace plans
  - Shortest open season for 2018
  - No cash payments for cost sharing and stabilization
  - Phony closure of website during busiest sign-up days
  - Curtailed outreach to the public

# 20 States File Suit – ACA Unconstitutional



- Focus on individual mandate / tax penalty being eliminated
- Contention: the entire ACA is unconstitutional because the tax penalty cannot be severed from the rest of the ACA
- Court must decide whether AGs can show injury (no penalty anymore) and whether Congress views ACA as severable (they did not repeal the mandate or the ACA as whole)

# Graham - Cassidy



- Per-capita cap on traditional Medicaid
- Creates new block grant for states that includes:
  - funding for Medicaid expansions
  - cost sharing reductions
  - marketplace subsidies
- Limited accountability for states
- Reduces federal funding for coverage by \$274 billion between 2020 and 2026
- Eliminates all funding in 2027
- Permits states to:
  - Modify ACA essential benefits requirements
  - End ACA guarantee that people with pre-existing conditions can't be charged more for insurance
  - Allow older people to be charged more
- Eliminates employer mandate

# Collins - Nelson



- Appropriates \$2.25 billion per year for each 2018 and 2019
  - Provides additional funding through 1332 waivers for state-level high-risk pools and reinsurance programs over two years
  - States would need to apply to access the funds, but the bill allows for expedited review for certain reinsurance waivers

# Alexander-Murray



- Provides short-term funding for the CSR payments
- Expands access to lower-cost, catastrophic health plans
- Gives states additional flexibility to use 1332 waivers
  - 1332 Waivers allow a State designed ACA option
- Provides states with outreach and education funding
- Directs HHS to issue regulations facilitating the sale of insurance products across state lines

# Rep Ryan Renews Welfare Reform Push



- ‘During a GOP retreat here in Appalachia, Ryan urged congressional Republicans to tackle “workforce development.”’
- “We need to focus on closing the skills gap,” he said... “Our goal should be helping those people close that skills gap. This improves people’s lives, and it helps our economy in general.”

○ Reported in Politico



# MHA's Position on Health Reform



- Questions about future of ACA created uncertainty among providers – difficult to make long-term strategic decisions
- If ACA is repealed:
  - Any new plan should ensure coverage levels achieved under the ACA are maintained or improved
  - Any new plan should ensure adequate coverage for enrollees
  - Congress should act simultaneously to replace
  - If repeal and replace are not simultaneous, payment reductions to providers in the ACA should be restored and further Medicare/Medicaid cuts should not occur

# Other Positions



- Medicaid restructuring should ensure high-quality care and sufficient funding, and treat all states equitably
- Significant regulatory reform is needed to address the burden faced by hospitals and systems
- Continue efforts to move to fee-for-value payment that provides incentives for clinically-integrated coordinated care

# The Election Cycle

State Races for the Montana Legislature

Ballot Initiatives

Federal elections

Sen. Jon Tester (D)

Rep. Greg Gianforte (R)



'I'm not as much undecided as I am totally disgusted.'

# Montana Election Cycle



- Rep. Gianforte (R) (incumbent) vs.
  - John Heenan, Grant Kier, John Meyer, Lynda Moss, Jarred Pattinato or Kathleen Williams
- Sen. Jon Tester (D) (incumbent) vs.
  - Troy Downing, Russ Fagg, Dr. Al Olszewski, Matt Rosendale
- Elect a new State House of Representatives
- Elect 25 State Senators
- Ballot Issues
  - Tobacco tax to fund health services
  - 6 mil levy to support Montana University System

# 2019 Legislative Issues



- State Revenue Picture
- Human Services Funding
  - Mental Health and Developmental Disability Funding
  - Making up for lost ground – the 2017 cuts
- Medicaid expansion sunset
  - Hospital accountability
    - ✦ Where did the money go?
    - ✦ How did increased coverage benefit private insurance?
    - ✦ Tax exempt status
- Price Transparency – surprise bills
- Workforce development

# The Importance of the 2018 Election

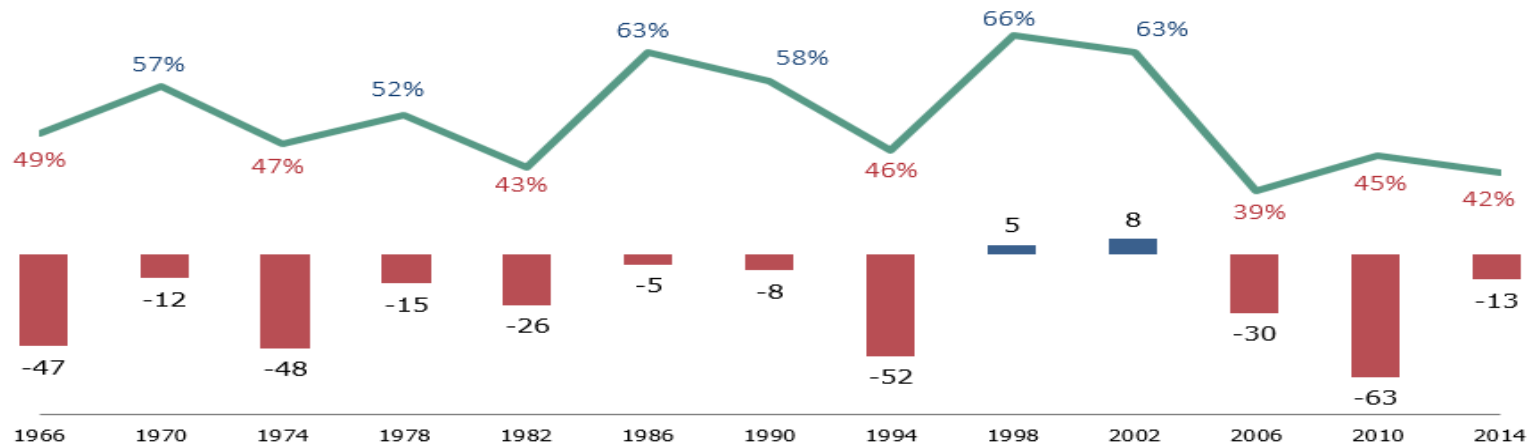


- **Mid-Term Election Backlash?**
  - First mid-term election often results in lost seats for majority party
    - ✦ Especially if President's approval below 50 percent
  - Low approval for repeal and replace bills + growing support for ACA adds to the mid-term drag for Republicans
- **Will Democrats retake Senate? (52 R's – 48 D's)**
  - 25 Democrats – including Tester – up vs 9 Republicans
  - 5 Democrats from states that went heavily for Trump – including Montana
- **Democrats narrow the gap in House? (237 R's – 193 D's)**
  - 23 House districts held by Republicans went for Clinton
  - 11 House districts held by Democrats went for Trump
  - Exodus of moderates

# President's Approval Rating

**Presidents with a sub-50% approval rating lose an average of 40 seats in the midterms**

**Presidential job approval vs. midterm results since 1966**



Trump Job Approval 41.0%  
RCP Average: March 12, 2018

Source: Gallup, The Cook Political Report, National Journal

## Job Approval

Over 60%

50%-60%

Under 50%

## Average Change

+3 Seats

-12 Seats

-40 Seats

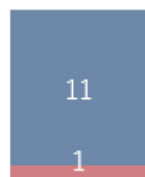
# US House 2018

**If Democrats retain all their seats in 2018, they must pick up all “toss-ups”**

## Cook Political Report ratings

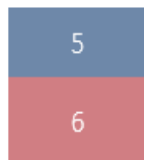
COMPETITIVE 2018 HOUSE RACES

■ Democrat held seats ■ Republican held seats



### Likely Democrat

AZ-9 Sinema\*  
CA-24 Carbajal  
FL-7 Murphy  
FL-13 Crist  
IA-2 Loebsack  
MN-7 Peterson  
NH-2 Kuster  
NY-3 Suozzi  
NY-18 Maloney  
PA-17 Cartwright  
WI-3 Kind  
PA-7 Meehan\*



### Lean Democrat

AZ-1 O'Halleran  
CA-7 Bera  
NH-1 Shea-Porter\*  
NJ-5 Gottheimer  
NV-4 Kihuen\*  
AZ-2 McSally\*  
CA-39 Royce\*  
CA-49 Issa\*  
FL-27 Ros-Lehtinen\*  
NJ-2 LoBiondo\*  
PA-15 Dent\*



### Toss Up

MN-1 Walz\*  
MN-8 Nolan\*  
NV-3 Rosen\*  
CA-10 Denham  
CA-25 Knight  
CA-48 Rohrabacher  
CO-6 Coffman  
FL-26 Curbelo  
IA-1 Blum  
IL-6 Roskam  
IL-12 Bost  
MI-11 Trott\*  
MN-2 Lewis  
MN-3 Paulsen  
NE-2 Bacon  
NJ-11 Frelinghuysen\*  
NY-19 Faso  
NY-22 Tenney  
PA-6 Costello  
PA-18 Vacant  
TX-7 Culberson  
VA-10 Comstock  
WA-8 Reichert\*



### Lean Republican

CA-45 Walters  
FL-18 Mast  
GA-6 Handel  
IA-3 Young  
KS-2 Jenkins\*  
KS-3 Yoder  
KY-6 Barr  
ME-2 Poliquin  
MI-8 Bishop  
NC-13 Budd  
NJ-7 Lance  
NY-11 Donovan  
PA-8 Fitzpatrick  
PA-12 Rothfus  
TX-23 Hurd  
TX-32 Sessions  
UT-4 Love  
VA-2 Taylor  
VA-7 Brat



### Likely Republican

AR-2 Hill  
CA-4 McClintock  
CA-21 Valadao  
CA-50 Hunter  
FL-16 Buchanan  
GA-7 Woodall  
IL-13 Davis  
IL-14 Hultgren  
IN-2 Walorski  
MI-6 Upton  
MI-7 Walberg  
MO-2 Wagner  
MT-AL Gianforte  
NC-2 Holding  
NC-9 Pittenger  
NJ-3 MacArthur  
NM-2 Pearce\*  
NY-1 Zeldin  
NY-24 Katko  
OH-1 Chabot  
OH-12 Vacant  
OH-15 Stivers  
OH-16 Renacci\*  
PA-3 Kelly  
PA-4 Perry  
TX-21 Smith\*  
VA-5 Garrett  
WI-6 Grothman  
WA-5 McMorris Rodgers

\*Incumbent not seeking reelection

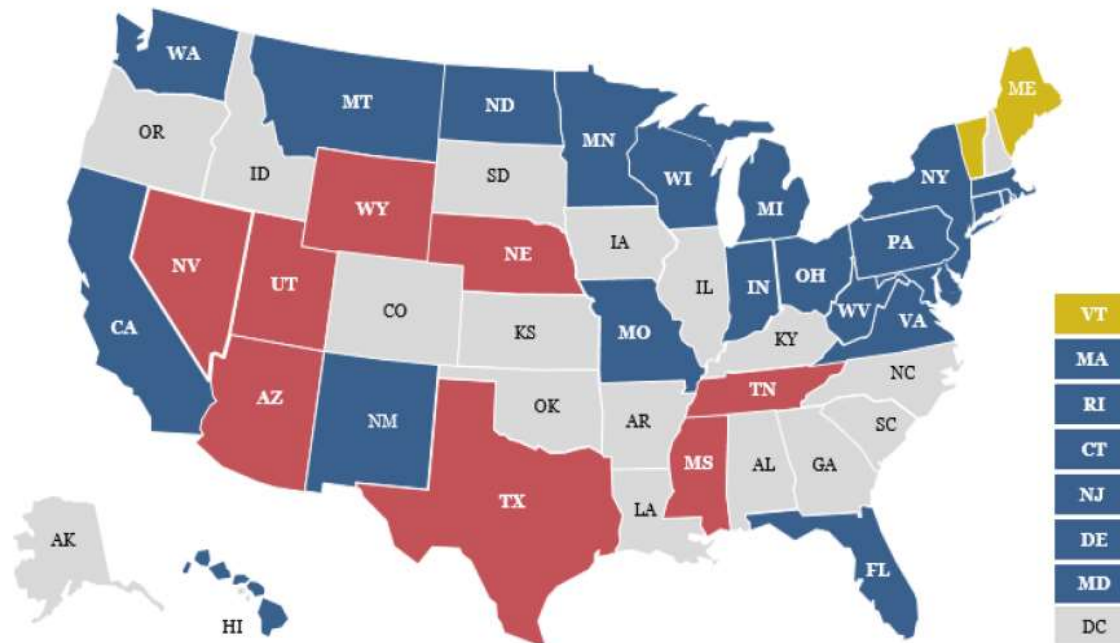


# US Senate 2018

**26 seats up for election in 2018 are held by Democrats and Independents out of a total of 34**

## States with U.S. Senate seats up for election

■ Republican held seat ■ Democrat held seat ■ Independent held seat



Sources: Charlie Cook, "Will History Hold in 2018 Midterms?" The Cook Political Report, January 9, 2017; National Journal Research, 2017.

**Of the 26 Democratic senators up for re-election, Trump won 10 of their states – and five by double digits**

# Questions and Discussion

