Strategic Planning Discussion

State & Federal Landscape

May 5, 2016

COOK COUNTY HEALTH & HOSPITALS SYSTEM
CCHHS

State

State FY2016 Budget Backdrop

- New Leadership
- Temporary Income Tax Expiration
- FY2015 Budget Deficit
  - 2.25% Across the Board Cut
  - Special Fund Sweeps
  - $1.6B cut 4th Quarter FY2015 Budget

State FY2016 Budget

- FY 2016 $6.2B Revenue Shortfall
- Reduced Medicaid Spending
- Turnaround Agenda

State FY2016 Budget Status

- 11th Month of FY2016 Without a Budget
- Consent Decrees & Court Orders
- Spending at 2011 Income Tax Rate
- $7B+ Unpaid Bills

State FY2017 Budget

- Governor's FY2017 Operating Budget
  - Introduced in February 2016
    - $3.5B Operating Deficit
    - Deferred Pension Payments
    - Reduced Cost of Employee Health Insurance
    - Depletion of the Budget Stabilization Fund

- FY2017 begins July 1, 2016
  - $10M Estimated Bill Backlog

Illinois General Assembly

- Key Areas of Focus
  - Adequate Funding for Human and Social Services
  - Behavioral Health
  - Medicaid
  - Managed Care Oversight
  - Reduced Spending
  - Transparency

Committees

Senate Committees

Human Services	Chair – Senator Dan Biss
Local Government	Chair – Senator Emil Jones III
Public Health	Chair – Senator John Mulroe
Special Committee on Oversight of Medicaid Managed Care	Chair – Senator Heather Steans

House Committees

Appropriations – Human Services	Chair – Representative Greg Harris
Health & Healthcare Disparities	Chair – Representative Will Davis
Healthcare Availability & Accessibility	Chair – Representative Mary Flowers
Healthcare Licenses	Chair – Representative Mike Zalewski
Human Services	Chair – Representative Robyn Gabel
Special Committee on Substance Abuse	Chair – Representative Lou Lang

Executive Order 16-05

- **Health Care Fraud Elimination Task Force**
  - intent to root out waste, fraud and abuse in taxpayer-funded health programs
  - areas of focus to include Medicaid and the State Employee Group Health Insurance Programs

Key 2016 Dates

- January 27th — Governor's State of the State
- February 17th — Governor's Budget Address
- May 31st — Last day of "Regular" Session
- June 30th — Last day of State Fiscal Year
- November 8th — Presidential Election
- Fall 2016 — Veto Session

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Federal

Patient Protection & Affordable Care Act (ACA)

- Established in 2010

- The ACA contains nine titles, each addressing an essential component of reform:
  - Quality, affordable health care for all Americans
  - Role of public programs
  - Improving the quality and efficiency of health care
  - Prevention of chronic disease and improving public health
  - Health care workforce
  - Transparency and program integrity
  - Improving access to innovative medical therapies
  - Community living assistance services and supports
  - Revenue provisions

http://www.dpc.senate.gov/healthreformbill/healthbill04.pdf

Medicaid

- 42 U.S. Code, Chapter 7, Subchapter XIX
  - Section 1396a[1]
- Created in 1965
  - Public Law 89-97
- Illinois is a 50-50 state
  - Poorer states receive a higher percentage of their Medicaid paid by the federal government

1) https://www.law.cornell.edu/uscode/text/42/1396a

Medicaid Disproportionate Share (DSH)

- FY 2015 Illinois received $232,959,8014[1]
- Payments made to hospitals serving a large number of uninsured and Medicaid patients

- States must “take into account the situation of hospitals which serve a disproportionate number of low income patients” (OBRA) of 1981[2]

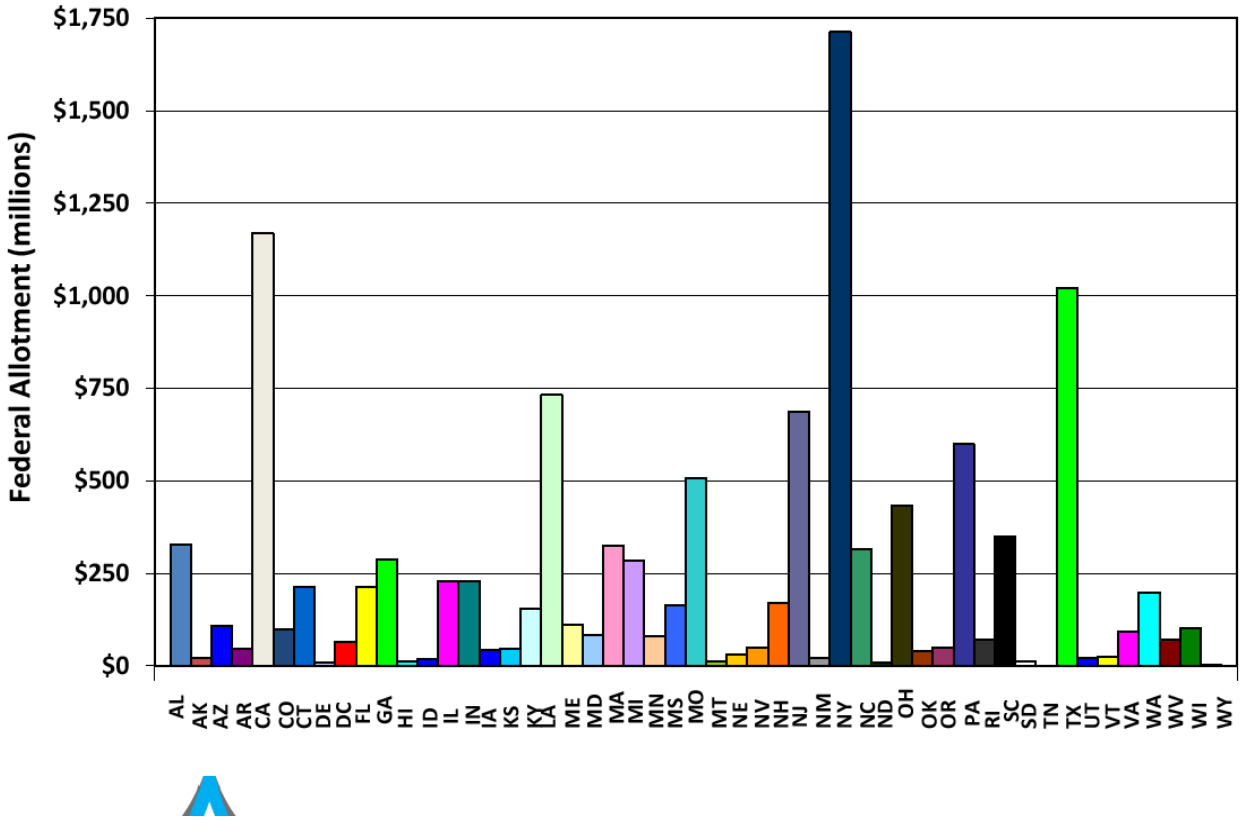
1) http://kff.org/medicaid/state-indicator/federal-dsh-allotments/
2) http://essentialhospitals.org/wp-content/uploads/2015/07/Mutinsky_MedcaidMedicareDSH_062415_vF.pdf

Health Disparities Affecting Minority Populations – Urban American Indians

- Medicaid Disproportionate Share (DSH) and supplemental payment programs designed to assist providers treating specific populations
- Innovative and collaborative approaches
- LA County Department of Health Services strategic priority

Caps and Allotments: Medicaid DSH Set in Balanced Budget Act of 1997 (P.L. 105-33)

STATE ALLOTMENTS OF FEDERAL DSH FUNDS



Low DSH States

- Alaska
- Arkansas
- Delaware
- Hawaii
- Idaho
- Iowa
- Minnesota
- Montana
- Nebraska
- New Mexico
- North Dakota
- Oklahoma
- Oregon
- South Dakota
- Utah
- Wisconsin

1) http://essentialhospitals.org/wp-content/uploads/2015/07/Mutinsky_MedcaidMedicareDSH_062415_vF.pdf

Medicaid DSH & ACA

- DSH was deemed redundant by the drafters of the ACA as it was meant to reduce uninsured and that is the target audience for DSH dollars
- Total cuts of $14.1 billion over 7 years
- DSH cuts originally scheduled to begin in FY 2014 but now pushed back to FY 2018
- Cuts will be up to 50% of DSH dollars

Medicaid Local Government Match & Intergovernmental Transfers (IGT's)

- Part of original Medicaid statute in 1965
- Section 1903(w)(6)(A) of the Social Security Act
  - "the Secretary may not restrict States' use of funds where such funds are derived from State or local taxes (or funds appropriated to State university teaching hospitals) transferred from or certified by units of government within a State as the non-Federal share of expenditures under this title, regardless of whether the unit of government is also a health care provider."

Medicaid Expansion

31 states and Washington, DC have expanded Medicaid

source: http://www.ncsl.org/research/health/affordable-care-act-expansion.aspx

Future of Medicaid

- Transfer from “fee for service” to Managed Care
- Block grants and per capita caps have been proposed.
- Since the creation of the Medicaid and Medicare programs in 1966, discussions continue on costs, structure and sharing of risk

Medicaid Managed Care Rule

- Background
  - Rule released on April 25, 2016
  - CMS statement on reaching major goals

- What we know Now
  - Phases out directed payments or “pass through” over 10 years
  - 10% cut each year
  - Shrinks rate ranges

- Takeaways
  - States must create their own network adequacy standards for private Medicaid plans
  - Managed care plans are subject to a medical loss ratio of at least 85%
  - Mentally ill could have expanded access by easing restrictions on re-imbursements
  - Quality rating system for Medicaid plans similar to Medicare advantage

source- Politico Pro "MAKING SENSE OF THE MEDICAID MEGA-REG" by Dan Diamond

Waivers

- 1115 Medicaid Demonstration Waiver

- California Waivers
  - New “Medi-Cal 2020” Waiver
  - Previous 1115 Waiver
  - Medicaid Expansion and Enrollment and Delivery System Reform Incentive Program (DSRIP) Waiver

Justice Involved Populations

- CMS allows for suspension, rather than termination of Medicaid benefits
- CMS Sub-Regulatory Guidance
  - Justice Involved Individuals
- National Association of Counties (NACo) Proposal

Mental Health, Substance Abuse & Opioid Addiction

- Congress is trying to improve the response of government to mental illness.
- Several bills are being considered with goals to streamline the federal response, make care more readily available, providing more grant money for varied programs, and improving workforce development.
- Congress and the Administration are responding to the growing opioid addiction epidemic.
- Legislation will add significant funding for grants to state and local governments and non-profits for education, treatment alternatives, and the facilitation of the destruction of unused opioids.
- Legislation also pending to provide relief from liability for providers who administer opioid relief drugs.

Section 340(b), Public Health Service Act

- Nonprofit and public hospitals with high shares of Medicaid and low-income Medicare patients (DSH) qualify for the **340B Drug Pricing Program.**

- The program requires drug companies to sell drugs dispensed by these hospitals outside of inpatient care and to other than patients with Medicaid at a discount. (Drugs dispensed to Medicaid beneficiaries are sold under discount authorized under a separate provision of federal law.)

Medicare and the Post Acute Care (PAC)

- Post Acute Care has become more important as the length of acute care inpatient stays have been reduced.

- PAC is delivered by Long Term Care Hospitals (LTCHs), Inpatient Rehabilitation Facilities (IRFs), Skilled Nursing Facilities (SNFs) and home care.
  - Each silo has a different reimbursement scheme.

- Policy makers have decided that the process needs to be simplified and more of the risk be allocated from the payers to the providers.
  - Episodic Bundled Payments
  - Site Neutral Payment

Medicaid
Graduate Medical Education (GME)

- Medicaid title of SSA does not require, but will match state Medicaid payments to providers for Graduate Medical Education (GME) costs
- 40 states provide GME payments
- States use varied methods to determine payments including capitations and supplemental payments
- Some states use GME payment as incentives for training for certain specialties

Other Federal Funding for Health

- Federally Qualified Health Centers (FQHC)
- National Institutes of Health
  - FY16- $32 billion
- Health Resources and Services Administration (HRSA)
  - FY16 $6.3 billion
  - Ryan White programs $2.3 billion

CCHHS Strategic Priorities

- Protection of Medicaid
- BIPA
- 340(b)
- Medicaid Managed Care
- Behavioral Health