

South Carolina Hospital Association

finance/reimbursement workshop
november 15, 2011



new enrollment broker

new enrollment broker



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Transforming policy into action.™

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FOR IMMEDIATE RELEASE

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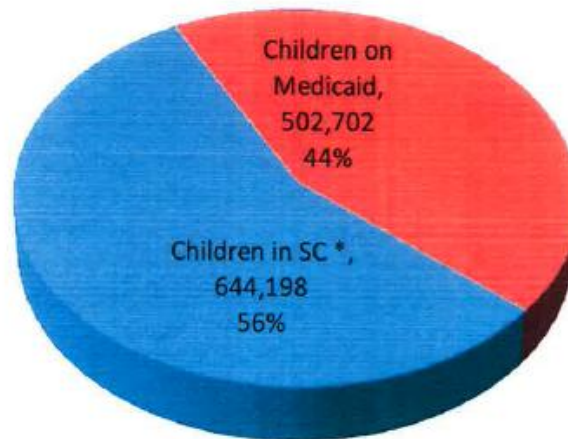
**Policy Studies Inc. to Administer the South Carolina
Healthy Connections Program**

new enrollment broker

Children in SC Enrolled in Medicaid as of June 2011

Children in SC Enrolled in Medicaid - Final Data as of June 2011

Total population of children
in SC estimated to be
1,146,900



*Population and demographic data on are based on analysis of the Census Bureau's March 2008 and 2009 Current Population Surveys, Urban Institute, and Kaiser Commission on Medicaid. Medicaid Eligibles includes aliens on roles for emergency services.

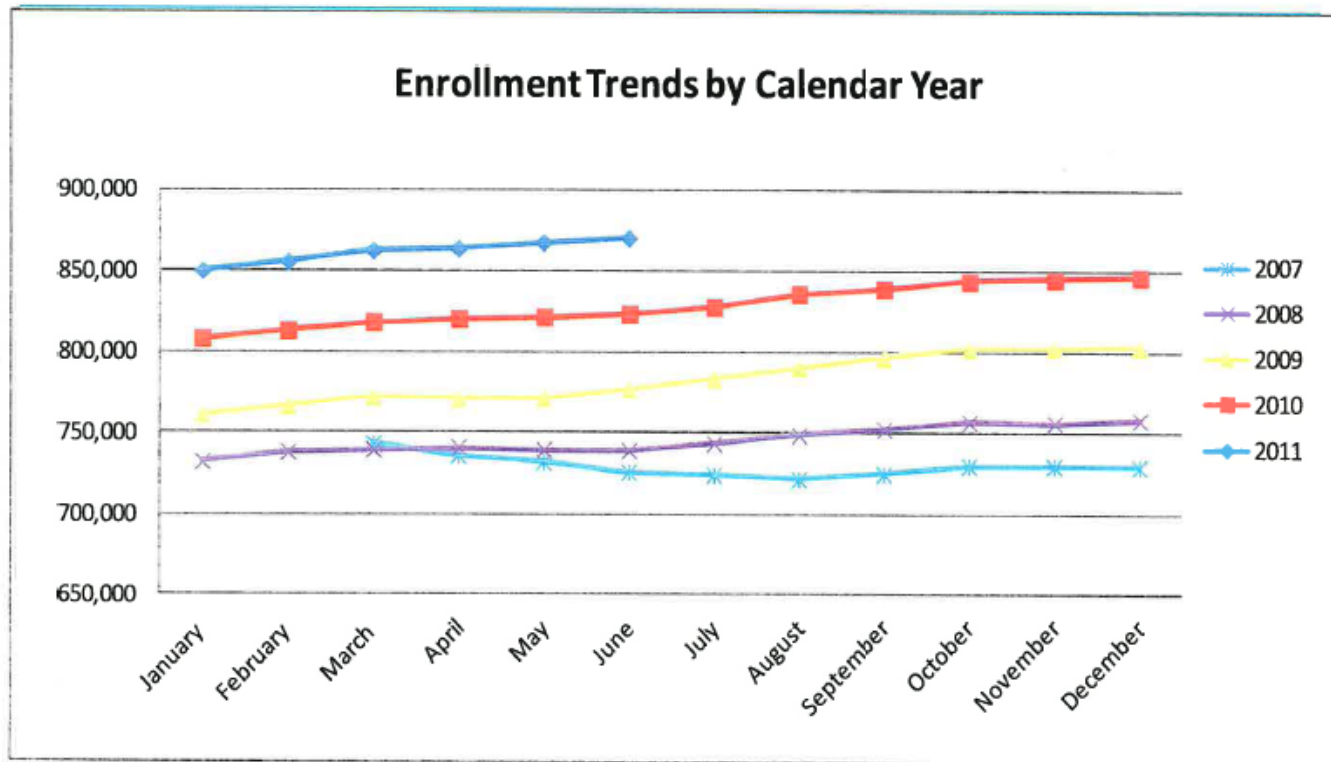
new enrollment broker

- *PSI as broker april 2012*
- *eligibility*
 - Per 2013 proposed budget, under-utilized schip enrollment to 200% of poverty
 - required by ACA in 2014
 - 70k-90k children eligible but not enrolled
 - express lane eligibility (ELE)
 - 2014 additional 40k-60k adults eligible under aca

2012 budget

2012 budget volume

Enrollment Trends By Calendar Year



2012 budget

volume

- *8% growth rate compared*
- *compared to 10% historical data*
- *due to economic recovery*

2012 budget

The Department is requesting a state general fund increase of \$435,339,234 over the SFY 2010-2011 state general appropriation of \$724,885,354. Components of this request include:

- Annualization of the SFY 2010-2011 deficit of \$227,786,198;
- Annualization of the \$289,690,358 loss of ARRA FMAP extension funds used in the SFY 2010-2011 budget in place of state general funds;
- \$114,356,522 of additional match necessary to account for 8% provider program growth;
- \$4,411,692 of new IT expenditures necessary to comply with federal law and improve department operations;
- Reductions of \$200,905,536 which include:
 - \$125,000,000 from provider reimbursements or other cost saving measures within the provider lines possible if Proviso (21.15) and Proviso (89.80) are lifted;
 - \$10,895,706 from annualizations of previously announced mid-year reductions;
 - \$991,000 resulting from implementation of prior-authorizations for certain drugs if Proviso (21.20) is lifted;
 - \$7,223,122 procurement related savings;
 - \$36,300,000 one-time savings through cash flow management by permanently changing MCO and MHN payment dates;
 - \$7,190,000 in savings from 12.5% reduction in MCO administrative rates;
 - \$4,790,000 savings resulting from adoption of more aggressive MCO capitation rates;
 - \$6,600,000 as a result of teaching hospitals once again providing matching funds for their supplemental teaching payments;
 - \$115,708 DHHS savings resulting from reductions in rent payments, a 30% reduction in cell phones, office supply reduction and elimination of non-state employee travel;
 - \$1,800,000 in increased fraud and abuse collections.

2012 budget

hospital reductions

Hospital FFS/MCO Reductions and Cost Savings

7% rate reduction settled on Cost Report: \$26.3mm state
\$89.6mm combined
fmap=\$63.3mm

Description of Reductions	Estimated State General Funds	Estimated Total Funds
IP OP 3% Rate Reduction - Effective April 8th 2011	\$ 10,510,880	\$ 36,700,000
IP OP 4% Rate Reduction	\$ 15,757,032	\$ 52,858,210
Replace the IME/GME and 10% reduction in payments	\$ 6,200,000	\$ 20,798,390
with Donor Payments	\$ 1,700,000	\$ 5,702,784
Eliminate CME	\$ 2,300,000	\$ 7,715,532
10% reduction for in-state DSH Reduction	\$ 4,600,000	\$ 15,431,063
In State DSH Reduction	\$ 225,000	\$ 754,780
Out of State DSH Reduction	\$ 41,292,912	\$ 139,960,759
Subtotal		

Reduced state funding of IME/GME and 10% reduction in payments
GME:
\$10.2mm state

Proposed DSH Reduction:
\$4.6mm state
\$15.4mm combined

Description of Savings	Estimated State General Funds	Estimated Total Funds
Hospital Acquired Conditions & Readmissions	\$ 1,255,144	\$ 4,210,479
Birth Outcome Focus Area - Promotion of Vaginal Deliveries	\$ 949,355	\$ 3,184,688
Birth Outcome Focus Area - Prevention of NICU/DICU & Decrease in Average Length of Stay	\$ 7,059,564	\$ 23,681,865
Subtotal	\$ 9,264,063	\$ 31,077,032

Clinical :
\$9.3mm state
\$31.1mm combined

Total Reductions and Savings \$ 50,556,976 \$ 171,037,791

2012 budget

Hospital FFS/MCO Reductions and Cost Savings

Description of Reductions	Estimated State General Funds	Estimated Total Funds
IP OP 3% Rate Reduction - Effective April 8th, 2011	\$ 10,510,880	\$ 36,700,000
IP OP 4% Rate Reduction - Effective July 11, 2011	\$ 15,757,032	\$ 52,858,210
Replace the SGF Match for GME & Teaching Supplemental Payments with Donated Funds by Other Entities	\$ 6,200,000	\$ 20,798,390
Eliminate GME for Out of State Providers	\$ 1,700,000	\$ 5,702,784
10% reduction for in-state IP GME reimbursement for SC hospitals	\$ 2,300,000	\$ 7,715,532
In State DSH Reduction	\$ 4,600,000	\$ 15,431,063
Out of State DSH Reduction	\$ 225,000	\$ 754,780
Subtotal	\$ 292,912	\$ 139,960,759

final DSH reductions

\$2.6mm budget reductions

Description of Savings	Estimated State General Funds	Estimated Total Funds
Hospital Acquired Conditions & Readmissions	\$ 1,255,144	\$ 4,210,479
Birth Outcome Focus Area - Promotion of Vaginal Deliveries	\$ 949,355	\$ 3,184,688
Birth Outcome Focus Area - Prevention of NICU/PTC U.S. Decrease in Average Length of Stay	\$ 7,059,564	\$ 23,681,865
Subtotal	\$ 9,264,063	\$ 31,077,032

\$2.0mm FY 04-05 prior year cost
report adjustments

Total Reductions and Savings \$ 50,556,976 \$ 171,037,791

2012 budget

■ *DSH reductions*

- federal match 70.24%
- \$1 = \$3.36
- \$2.6mm state + \$8.7mm fed = \$11.3mm
- hospitals less than statewide average medicaid primary costs:
 - ip and op medicaid FFS costs
 - ip and op uninsured costs
 - medicaid mco costs
 - exempted hospitals

2012 budget

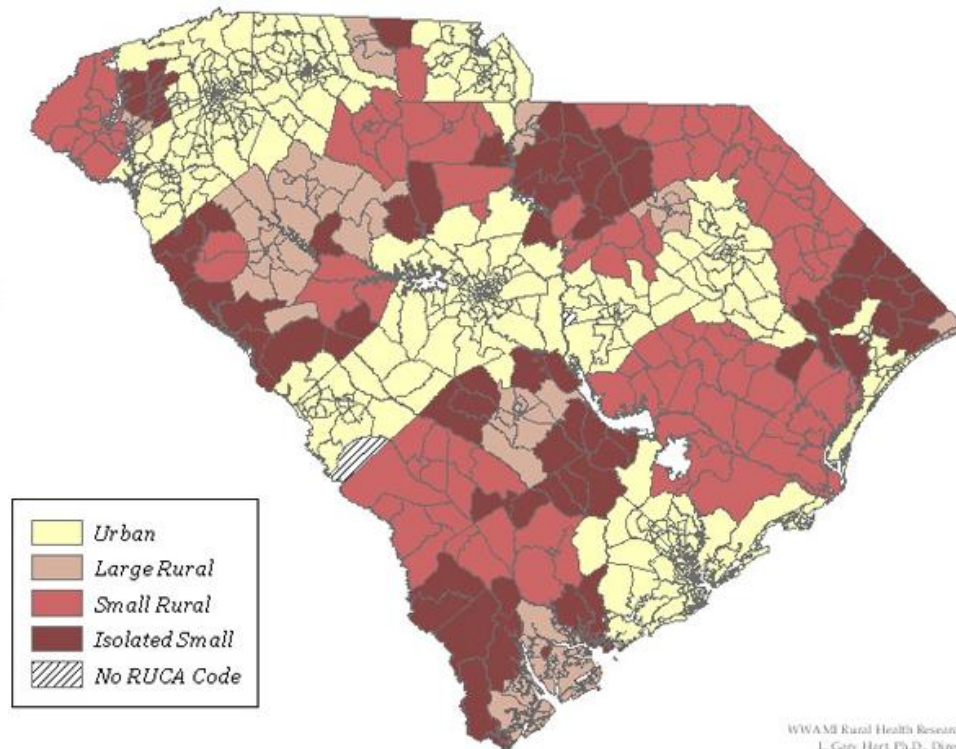
exempted hospitals

- *burn care units (doctors hospital, ga)*
- *cah*
- *isolated rural*
- *washington state university rural-urban commuting area (RUCA) codes*

2012 budget

- *washington state university*

South Carolina Aggregated RUCA Designations by Census Tract



2012 budget

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Subtotal	\$ 41,292,912	\$ 139,960,759
Clinical savings		
39 weeks campaign (nicu)		
vaginal deliveries—increased vaginal, decreased c-sections		
HACs		
Early periodic screening, diagnosis and		
treatment program (ETSD)		
immunizations		
Description of Savings	Estimated State General Funds	Estimated Total Funds
Hospital Acquired Conditions & Readmissions	\$ 1,255,144	\$ 4,210,479
Birth Outcome Focus Area - Promotion of Vaginal Deliveries	\$ 949,355	\$ 3,184,688
Birth Outcome Focus Area - Prevention of NICU/PHU/Decrease in Average Length of Stay	\$ 7,059,564	\$ 23,681,865
Subtotal	\$ 9,264,063	\$ 31,077,032
Total Reductions and Savings	\$ 50,556,976	\$ 171,037,791

2012 budget

- *\$18mm short*
 - volume and savings
 - future adjustments?
- *Reevaluate mid-year*

proposed 2013 budget

proposed 2013 budget

- *3.2% growth rate*
- *Carried forward \$125k savings*
 - 93% of cost
 - no increase in dsh – additional lost federal funds
 - ime/gme
- *2011-2012 (ly) cigarette tax of \$157,300,000*
- *budget to minimum level children enrollees of 80k*
- *implement express lane (temporary assistance for needy families (TANF), food stamps, etc)*
- *case management system*

2013 budget

■ *functional*

- case management system
- Update/replace medicaid management information system (mmis)
- Replace medicaid eligibility determination system (meds)
- icd-10 conversion
- hit/meaningful use
- Her-aca prep

apr-drgs

apr-drgs

- *all patient refined diagnosis related groups, version 28*
- *better relate to medicaid population*
- *budget neutral-actuarial*
 - no inpatient multipliers
 - updated outpatient multipliers
- *HACs*
- *new 3M coding software*
 - SCDHHS will regroup all claims from ub04
 - conversion table online for verification
- *payment at apr-drg weight times new medicaid rate which has already been adjusted to 93%*
- *cost settled*

apr-drgs

scdhhs apr-drg calculator

SC DRG calculator [Compatibility Mode] - Microsoft Excel

Home Insert Page Layout Formulas Data Review View Developer

Cov_days =LOS

SC MEDICAID APR-DRG PRICING CALCULATOR		
Note: This calculator is intended to be helpful to people interested in the payment method based on APR-DRGs to be implemented by South Carolina Medicaid October 1, 2011. In case of difference between this calculator and the MMIS claims processing system (e.g., rounding), the MMIS will be taken as correct.		
Indicates data to be input by the user		
Information	Data	Comments or Formula
INPUT INFORMATION		
Hospital name (currently set to SC default)	SC default	Discharge rates and cost-to-charge ratios will be hospital-specific
Patient discharge status = 02, 05, or 66? (transfer)	No	Used for transfer pricing adjustment
Patient discharge status = 20? (expired)	No	Used for same-day and one-day payment adjustments
Covered charges	\$50,000.00	UB-04 Field Locator 47 minus FL 48
Admit date (dd/mm/yyyy)	10/15/2011	UB-04 Field Locator 6 ("from") (No interim claims accepted)
Discharge date (dd/mm/yyyy)	10/20/2011	UB-04 Field Locator 6 ("to") (No interim claims accepted)
Medicaid covered days (change if different from LOS)	5	Used for partial eligibility pricing adjustment
Prior payments	\$ -	UB-04 Field Locator 54 for payments by third parties
Patient liability (cost-sharing)	\$ -	Some patients are liable for \$25 copayment per admission
WHAT APR-DRG CODE DOES MEDICAID ASSIGN?		
APR-DRG	139-2	From separate APR-DRG grouping software
APR-DRG description	OTHER PNEUMONIA	Look up Table of Weights and Thresholds
Actual length of stay (LOS)	5	Discharge date - admit date (if same day, then set to 1)
WHAT IS THE DRG BASE PAYMENT?		
APR-DRG relative weight	0.6128	Look up Table of Weights and Thresholds
Hospital-specific discharge rate	\$8,200.00	Hospital-specific discharge rates will be determined in summer 2011
DRG base payment	\$5,024.96	C22 x C21, rounded to 2 places
IS A TRANSFER PAYMENT ADJUSTMENT MADE?		
Is a transfer adjustment potentially applicable?	No	C8
National average length of stay for this APR-DRG	3.89	Look up Table of Weights and Thresholds
Transfer payment adjustment	N/A	If C25 = Yes, then (C23/C26) * C19, rounded to 2 places

medicaid cost report

medicaid cost report

- no structural or reporting changes
- settles to 93%
- cost to charge ratios
 - op average .25 to .30
 - op range .10 to .50

 - ip average around .35
 - ip range .18 to .70

looking ahead

looking ahead

- medicaid appeals/patient consent to pursue
- minimum balance adjustments: cms change request (CR) 7011: reprocessing claims processed after 04/01/11 not yet in compliance with ACA
 - result from various changes in the act retro to april 1, 2010
 - high volume of minimal credit balances
 - commercials
 - medicaid crossovers on medicare bad debt logs
 - medicare bad debt 120-day clock
- future of dsh
- fully prospective

looking ahead

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balanced budget act

- balanced budget act
- super committee must find at least \$1.2 in savings
- sequestration-no impact on medicaid
- super committee timeline
 - november 23rd - committee must vote
 - december 9th - committee must report recommendations
 - december 23rd - both chambers must vote
 - No amendments
 - january 15th - bill must be enacted
 - january 31st – super committee terminated

balanced budget act

- *super committee may include medicaid cuts*
- *how sequestration occurs:*
 - *spending will be lowered by \$1.2 trillion*
 - *\$109.3 billion in cuts per year (beginning in FY 2013)*
 - *half (\$54.7 billion) from security spending*
 - *half from the rest of the budget (large portion healthcare)*

balanced budget act

potential super committee impact on south carolina:

- *may exceed the \$1.2 trillion*
- *sequestration: 1 yr = \$11.7mm 10 YR = \$277.3mm*
- *grad. med. ed.(gme): 1 yr = \$49.3mm 10 YR = \$533.9mm*
- *Medicare bad debt: 1 yr = \$11.7mm 10 YR = \$416.7mm*
- *Rural hospitals: 1 yr = \$31.8mm 10 YR = \$350.mm*
 - *CAH*
 - *medicare dependent*
 - *sole community*
- *Post acute care rates: 1 yr = \$3.8mm 10 YR = \$233.0mm*
- *nothing sacred*

South Carolina Hospital Association

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