

# Governor's FY 2016 Budget: Articles

Staff Presentation to the House Finance Committee  
April 30, 2015

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## Introduction

- Articles in Governor's FY 2016 Budget
- Three articles today
  - Article 3 – Hospital License Fee
  - Article 4 – Hospital Payments
  - Article 5 – Medical Assistance Programs
- Office of Health and Human Services

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## Article 3 – Hospital Licensing Fee

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- Extends current licensing fee of 5.703%
- Two-tiered fee with South County & Westerly paying 3.6 percent
- State has not received approval for the two-tiered system – first included in FY 2013 budget
  - \$3.9 million in less revenue collected by the state from lower rate to two hospitals

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## Article 3 – Hospital Licensing Fee

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- Fee charged to \$2.8 billion in revenues
  - 2013 base year
- License fee revenues total \$156.1 million
  - \$149.6 million – community hospitals
  - \$6.5 million – Eleanor Slater Hospital
- FY 2016 license fee - \$3.0 billion in revenues
  - 2014 base year

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## Article 4 – Section 1 Uncompensated Care

- Federal formula determines state allocation – w/general revenue match
- Distribution based on hospitals' share of statewide uncompensated care total
  - Total RI uncompensated care is \$272.0 million
    - 10.1% of hospital expenses
    - 2013 data
  - UCC allocation: \$136.8 million or 50.3% of total
    - Individual hospital will receive 50.3% of its costs

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## Section 1 - Uncompensated Care

- Annual Article
- Provides for a \$136.8 million payment in FY 2017 to the community hospitals
- Equates to hospital FY 2016
  - Alignment of years is different because of an accounting adjustment to close budget gap
  - State did not make a payment in FY 2007
  - Did include legislation for payment in FY 2008

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## Section 1 - Uncompensated Care

- RI calculation incl. costs for uninsured individuals & Medicaid “shortfall”
  - Difference between payments made by the state and what the hospital charges for that treatment
- Each hospital has its own costs
  - May be different charges for the same procedures among hospitals
  - But the state pays the same rate for the same services regardless of which hospital provides the treatment

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## Uncompensated Care

Medicaid Payment	Life-span	Care New England	Charter Care	Others	Total
Uninsured	\$86.6	\$16.6	\$12.9	\$17.4	\$133.5
Rlte Care	20.9	25.4	11.5	12.0	69.8
Duals	20.9	2.0	2.6	9.3	34.8
FFS	9.9	7.6	1.2	2.3	21.0
Out of State	4.1	2.4	0.2	(0.2)	6.6
Total	\$142.5	\$53.9	\$28.4	\$40.9	\$265.7

2014 Information from the Hospital Association of RI

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## Section 1 - Uncompensated Care

- Affordable Care Act – phases in a lower federal allotment to states
- Based on number of uninsured individuals in a state beginning with the FY 2014 cap
  - Reduction has been delayed to FY 2019
- RI's 2014 allotment totals \$69.3 million matched by general revenues

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## Section 2 - Hospital Payments

- Eliminates inpatient & outpatient upper payment limit (UPL) reimbursements to community hospitals in FY 2016
- Savings of \$22.6 million - \$11.2 million GR
- Actual FY 2016 costs is likely higher
- Difference between what Medicare would pay for the same services
- First made in FY 2009 budget

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## Article 5 - Medical Assistance

- Sections 1 & 2 – Medical Assistance
  - Nursing Home and Hospital Payments
  - Fee-for-service and Managed Care programs
- Section 3 - Graduate Medical Education Payment
  - FY 2015 and FY 2016
- Section 4 – Resolution
  - Changes under Medicaid waiver
  - Not yet identified

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## Article 5 – Medical Assistance

Program	Governor's Proposal	Gen. Rev.	All Funds
Hospitals	5% Reduction	(\$10.8)	(\$21.7)
	Rate Freeze	(5.0)	(10.0)
Nursing Homes	3% Reduction	(5.4)	(10.9)
	Rate Freeze	(3.5)	(7.1)
GME Payment	Eliminate FY 2015 & 2016	(2.0)	(2.0)
Total (millions)		(\$26.6)	(\$51.6)

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## Section 1 - Hospital Payments

- Freezes FY 2016 rates at current levels
  - Fee-for-service and managed care plans
  - Outpatient and Inpatient Services
  - 3<sup>rd</sup> year that this action is proposed
  - Accepted in FY 2014 and FY 2015
    - State paying same rates as FY 2013
- Reduces those rates by 5 percent

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## Section 1 - Hospital Payments

Hospital Rates	Gen. Rev.	All Funds
5 % Rate Reduction	(\$10.8)	(\$21.7)
Rate Freeze	(5.0)	(10.0)
<b>Total</b>	<b>(\$15.7)</b>	<b>(\$31.6)</b>
Revenue Loss	(0.6)	
<b>State Savings</b>	<b>(\$15.1)</b>	

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## Section 1 - Hospital Payments

5% Rate Reduction	Gen. Rev.	All Funds
Fee for Service	(\$1.9)	(\$3.9)
Rlte Care*	(5.9)	(11.9)
Rhody Health Partners*	(2.4)	(4.8)
Rhody Health Options*	(0.5)	(1.1)
<b>Total (millions)</b>	<b>(\$10.8)</b>	<b>(\$21.7)</b>
Revenue Loss*	(0.4)	
<b>State Savings</b>	<b>(\$10.3)</b>	

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## Section 1 - Hospital Payments

Rate Freeze	Gen. Rev.	All Funds
Fee For Service	(\$0.7)	(\$1.4)
Rlte Care*	(2.8)	(5.6)
Rhody Health Partners*	(1.2)	(2.5)
Rhody Health Options*	(0.3)	(0.5)
<b>Total (millions)</b>	<b>(\$5.0)</b>	<b>(\$10.0)</b>
Revenue Loss*	(0.2)	
<b>State Savings</b>	<b>(\$4.8)</b>	

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## Sections 1 & 2– Nursing Homes

Nursing Home Rates	Gen. Rev.	All Funds
3 % Rate Reduction	(\$5.4)	(\$10.9)
Rate Freeze – Eliminate COLA	(3.5)	(7.1)
<b>Total</b>	<b>(\$8.9)</b>	<b>(\$18.0)</b>
Revenue Loss	(0.6)	
<b>State Savings</b>	<b>(\$8.3)</b>	

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## Sections 1 & 2– Nursing Homes

3% Rate Reduction	Gen. Rev.	All Funds
Fee For Service	(\$2.2)	(\$4.4)
Rhody Health Options*	(3.2)	(6.5)
<b>Total (millions)</b>	<b>(\$5.4)</b>	<b>(\$10.9)</b>
Revenue Loss*	(0.4)	
<b>State Savings</b>	<b>(\$5.0)</b>	

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## Sections 1 & 2 – Nursing Homes

Rate Freeze – Eliminate 10/1/2015 COLA	Gen. Rev.	All Funds
Fee For Service	(\$1.4)	(\$2.8)
Rhody Health Options*	(2.1)	(4.2)
<b>Total (millions)</b>	<b>(\$3.5)</b>	<b>(\$7.1)</b>
Revenue Loss*	(0.2)	
<b>State Savings</b>	<b>(\$3.3)</b>	

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## Nursing Homes

FY	Total*	Action
2015	(\$4.9)	4/1/2015 rate increase – 6 mth delay
2014	(\$10.5)	October 1, 2014 – no rate increase
2013	\$7.8	Adjust base & transition to new method
2012	(\$6.3)	Eliminated principles of reimbursement and 5% reduction
2011	(\$5.2)	New methodology with no more than a 2.2% gain or loss
2010	(\$2.6)	Rate reduction

\*In millions, all funds

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## Section 3 - Graduate Medical Education

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- The FY 2015 enacted budget includes a \$1.0 million payment to Lifespan for graduate medical education activities
- Section 3 eliminates the payment in FY 2015 AND FY 2016
- \$2.0 million total impact over 2-years

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## Medicaid Waiver

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- Medicaid waiver classifies proposed changes into 3 categories
- Each requires a different level of approval to make a change
  - Approval by the Centers for Medicare and Medicaid Services (CMS)
    - Formal approval
    - Written or oral notification of a change
  - Approval by the General Assembly
    - Statutory change & resolution allowing the change

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## Medicaid Waiver

Cat	Change	Approval	Example
I	Administrative	CMS (notification only)	General operating procedures, prior authorization change
II	Payments and optional benefits	Assembly & CMS	Payment change & adding benefits
III	Eligibility/New Benefit	Assembly & CMS	Lowering Rlte Care parents threshold

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## Section 4 - Medicaid Resolution

- Sec. 4 provides authorization to make any category II or III changes
  - Does not identify specific changes
  - Past practice has identified the separate changes for transparency purposes
  - Does not replace need for specific statutory changes (Sec. 1 and 2)
- Revisions expected to be requested to reflect Task Force recommendations

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## Medicaid

### Medicaid Solution: \$90.5 million

- \$46.4 million – Completed – legislation/specific items in budget
- \$46.0 million - Tied to Task Force
  - Savings distributed but subject to revision
- Provider Tax Loss - \$1.9 million

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## Medicaid

	Completed	GR	All
Efficiencies & Oversight		\$9.5	\$19.2
Hospital Supports Transition		27.9	55.2
LTC Supports Transition		8.9	17.9
Total		\$46.4	\$92.3

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## Medicaid – Task Force

Task Force	GR	All
Efficiencies & Oversight	\$8.0	\$16.1
Program Administration	1.5	3.0
Hospital Supports Transition	15.0	30.2
Addressing High Utilizers	18.5	37.2
Coordinated Care – BH needs	3.0	6.0
Total	\$46.0	\$92.6

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## Medicaid Task Force

- Met again today and discussed recommendations to be released tomorrow
- Some proposals identified by the Task Force need legislation
  - Some do not require additional legislation but review and approval would take place through subcommittee process
  - Governor is expected to request an amendment next week

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