

Health Policy Webinar: Making Indigent Care Pool Funding Fair

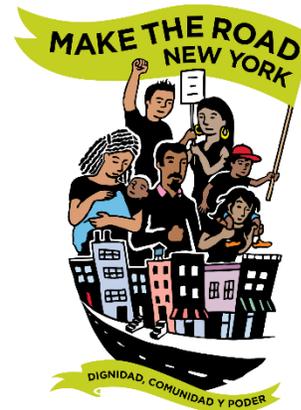
Friday, January 11, 2019

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Webinar Co-Sponsored by:



Webinar Objectives

- Provide information and background on Disproportionate Share Hospital and Indigent Care Pool funding
- Provide information about the 2018 NYS DOH ICP Workgroup
- Introduce the H+H Community ICP proposal
- Present community and labor advocates advocacy agenda
- Urge action!

Hospital Uncompensated Care Funding

- Federal: Disproportionate Share Hospital (“DSH”) Funds
 - Federal financing mechanism to provide funding to hospitals that provide large volumes of care to Medicaid beneficiaries and uninsured patients
 - NYS is biggest recipient out of all the states (16% of all DSH funds)
- State: Indigent Care Pool (ICP) Funds
 - For decades, NYS has run the ICP to provide support to hospitals for offset their losses providing care to financially needy patients.
 - Was called the “Bad Debt and Charity Care Pool”, now called the “Indigent Care Pool”
 - It is partially funded by DSH
 - Since 2000, the pool has been criticized by patient advocates for:
 - Not being transparent, unclear how funds were spent and why certain hospitals received funds when it appeared they provided little care to financially needy patients
 - Not tying the funds directly to patients who received free/discounted care
 - Funding hospitals that didn’t have financial assistance policies.



NYS' DSH Funding Distribution

- NYS receives approximately \$3.6 billion in DSH funding.
- NYS distributes \$1.134B through the ICP composed of \$139M in **Public Hospital Indigent Care funds** and \$995M in **Voluntary and Non-Major Public Indigent Care funds**

General Framework for Distribution of NYS DSH Allotment (\$millions)				
(Amounts based on FFY17 \$3.5B Statewide Allotment, Preliminary FFY 18 Allotment is \$3.6B)	Voluntary	H+H	Other Publics	Total
Indigent Care Pool (State/Federal Funds)	\$656	\$95	\$44	\$795
<ul style="list-style-type: none"> Separate fixed pools for publics and voluntaries. 2012 ICP Reform Workgroup Methodology: Around 85% of funds distributed based on Medicaid and uninsured units of service. \$339 is comprised of voluntary UPL for DSH Swap \$656 + \$339 = \$995 				
Indigent Care Adjustment Pool (Local/Federal Funds)	\$0	\$256	\$156	\$412
<ul style="list-style-type: none"> Fixed pool for publics. Distributed based on Medicaid and uninsured losses (DSH Caps). 				
Public Hospital IGTs (Local/Federal Funds)	\$0	\$1,045	\$668	\$1,713
<ul style="list-style-type: none"> Other Publics: guaranteed hospital cap payment, reconciled on a lag. H+H: \$330M plus any remaining federal funds in the Statewide Allotment after all other payments. <i>(total H+H based on 3-Year avg. share)</i> 				
NYS OMH Psych Hospitals (State/Federal Funds)	\$0	\$0	\$605	\$605
<ul style="list-style-type: none"> Fixed allocation for mental health institutions. 				
Total DSH	\$995	\$1,396	\$1,473	\$3,525

Indigent Care Pool	
Voluntary DSH (including \$25m transition funds)	\$656
Voluntary UPL	\$339
Public DSH	\$139
TOTAL	\$1,134

Background on Proposed DSH Cuts

- The Affordable Care Act (ACA) reduced DSH payments nationally because uninsured would be eligible for ACA insurance
 - But States like NY, have large number of ACA-ineligible individuals (i.e. immigrants and people who cannot afford coverage). Hospitals also continue to need DSH because of low Medicaid reimbursement rates.
- NYS receives 16% of nationwide federal DSH funding, resulting in approximately \$3.6 billion of DSH to distribute to NY hospitals.
 - NYS' gross DSH cut could be \$1.3 billion in FFY 2020 and \$2.6 billion in FFY 2021.
- H+H is the largest recipient of NYS DSH funds and has on average received about \$1.4 billion in DSH funding.
 - NYC Health + Hospitals (H+H) still serves ~382,000 uninsured individuals annually
 - Without a change to the current state law, H+H will bear the initial brunt of any federal cuts – at least the first \$700 million and up to \$870 million in the first year.

Background on ICP Funding

- The \$1.1 billion ICP is designed to compensate hospitals for uncompensated care
- 2012 Reforms
 - Change payment method to compensate hospitals for actual services provided to uninsured and Medicaid enrollees consistent with anticipated federal guidance (85% of funds)
 - Created a 3 year transition “collar”, to limit a hospital’s exposure (around 15% of the funds):
 - Formula limited losses to 2.5% first year, growing by 2.5% each year
 - Hospital gains also limited, creating “collar”
- 2015: State extended 3-year transition period by additional 3 years (2018 – 15% = maximum loss)
- 2018: Enacted budget extends transition period by one year
- Future – if extensions continued, the collar will not close until the year 2050...

Indigent Care Pool	
Voluntary DSH (including \$25m transition funds)	\$656M
Voluntary UPL	\$339M
Public DSH	\$139M
TOTAL	\$1,134M

What are the issues?

1) Allocation of DSH Funding

- The sequencing of NYS DSH funds allocations means the hospitals which provide the most care to Medicaid and uninsured people get paid last, not first.
- **Solution: Adopt new formula to allocate DSH funds in NYS that benefits true safety hospitals and patients**

2) ICP Transition Collar

- The roughly \$140 million transition collar uses the old formula, based on bad debt, and rewards some hospitals that fail to serve the uninsured
 - Charity Care – cost of care for patients given discounts based on income
 - Bad debt – cost of care to patients NOT given discounts, including patients sent to collections, as well as unpaid cost-sharing for insured patients (i.e. deductibles, co-pays)
- DSH dollars more critical than ever, NY should spend them wisely
- States that do not use DSH funds for hospitals disproportionately serving Medicaid and uninsured patients will be penalized in the distribution of federal DSH cuts
- **Solution: End transition collar and tie ICP payments to true safety hospitals and patients**

In 2018 an ICP Workgroup was formed to address these issues

- The Governor and Legislature agreed in a side letter out of the State 2019 budget to form a NYS Indigent Care Workgroup:

“The Department will establish a temporary workgroup on hospital indigent care methodology which will make recommendations regarding Disproportionate Share Hospital (DSH) and Indigent Care Pool (ICP) funding. The workgroup shall convene no later than June 1, 2018 and create a report on its findings no later than December 1, 2018.”

- The Workgroup was formed to address both problems:
 - federal DSH cuts slated to begin October 1, 2019, and
 - the ICP transition collar.

Workgroup Membership

- The Workgroup met four times but has not yet released its report.
- Co-chairs are: Bea Grause – President, HANYS; Dan Sheppard, Deputy Commissioner, NYS DOH; Elisabeth Benjamin - VP Health Initiatives, CSS

Hospitals/Health Plan	Consumers/Labor
Dr. Katz - President/CEO, NYC H+H	Lara Kassel - Medicaid Matters
Gary Fitzgerald - President, Iroquois Healthcare Alliance	Claudia Calhoon - NY Immigration Coalition
Colleen Blye - Executive VP/CFO, Montefiore	Rebecca Telzak - Make the Road NY
Phyllis Lantos - Consultant/Former CFO, NY Presbyterian	Anthony Andrews - NYC H+H/Queens CAB
Dennis Whalen – VP Government Affairs, Northwell	Sudha Acharya - South Asian Council of Social Services
Hugh Thomas - Chief Admin. Officer/General Counsel, Rochester Regional	Sharon Chesna - Mothers and Babies Perinatal Network of South Central NY
Michael Israel - President/CEO, Westchester Medical	Amanda Gallipeau - Empire Justice Center
Elisabeth Wynn - Exec. VP Health Economics & Finance, Greater NY Hospital Association	Leon Bell - NYSNA
Eric Linzer - President/CEO, Health Plan Association	Moira Dolan - DC 37
	Helen Schaub - 1199 SEIU

Workgroup Meetings

- The ICP workgroup met 4 times
- Meeting #1-#2: investigated the impact of eliminating the collar entirely
 - 99 hospitals would gain funds, but 39 would lose—including true safety net hospitals
- Meeting #3: investigated the impact of reallocating \$200 million
 - Investigated 3 alternative scenarios.
 - In every scenario, a large number of safety net and “at risk” hospitals lost funds
- Meeting #4: discussion of additional ideas, including:
 - HANYS (extends the collar)
 - NYSNA
 - H+H Community Coalition – the remainder of the webinar focuses on this proposal

H+H Community Coalition

- H+H Community Coalition represents low income and at risk patients across the State and unions representing healthcare workers largely employed by safety net institutions.
- H+H Community Coalition Goals
 - Eliminate the ICP transition collar without hurting essential hospitals providing services to needy communities;
 - Enhance Medicaid rates for Safety Net and At Risk/Other Needy hospitals; and
 - Optimize new federal Medicaid funds, while retaining all existing federal DSH funds to support these essential services
- Endorsements: 9 members of the NYS Indigent Care Workgroup, 3 additional community advocates, and the One Brooklyn Health System whose three hospitals provide essential services to the Brooklyn community.

Issues that the H+H Community Coalition seeks to address

- Eliminating the collar would hurt some hospitals that disproportionately provide essential safety net services to low income and at risk communities.
- Medicaid rates have stagnated creating and increasing financial jeopardy and instability for safety net hospitals.
- On average, two-thirds of NYS hospital DSH Caps are now generated by losses on Medicaid services, rather than the uninsured.
 - This has contributed to a growing disparity between hospitals that have greater access to profitable payers (well resourced) and those that are dependent on public insurance programs.

The H+H Community Coalition Proposal

- Eliminates the transition collar, including the associated \$25 million “transition funds” investment, from the ICP distribution methodology
- Reduces the ICP by \$300 million across all hospital proportionally from their allocation before the transition collar in the current methodology
- Invests \$300 million ICP funds into Medicaid increases for Safety Net and At Risk/Other Needy hospitals
 - The investment is proportional to the current public and voluntary shares of the ICP
 - Assumes across the board rate increases for all services; but the state could give more weight to ambulatory and primary care services
 - Addresses the disparity between well resourced and needier hospitals, establishing a tiered Medicaid payment for safety net hospitals
- Public Hospitals have access to \$150 million federal DSH formerly used for ICP

H+H Community Proposal

Impact of redistribution of \$300.0M + \$12.5M to CAH's + \$27.3M EP & MA VBP QIP(1)				
	Gains		Reductions	
	Total Amount	# of Facilities	Total Amount	# of Facilities
Public Safety Net-HH	\$ 111,476,278	12	\$ -	0
Public Safety Net-Other	\$ 38,523,722	8	\$ -	0
Voluntary Safety Net	\$ 130,279,124	53	\$ -	0
At Risk (Other Needy)	\$ 28,901,447	23	\$ -	0
Voluntary-Other	\$ 8,636,217	8	\$ (152,284,839)	71
Total	\$ 317,816,788	104	\$ (152,284,839)	71

(1) Includes additional \$150m Federal Share to All Public Hospitals (H+H = \$100m, Other Publics = \$50m).

Benefits of the H+H-Community Coalition Proposal

- The H+H-Community Coalition Proposal achieves the following shared objectives:
 - Eliminates ICP Collar without harming safety net and other needy hospitals providing essential services to needy communities
 - Removes ICP funding linkage to historical allocations based on bad debt
 - Prioritizes ICP funds to uninsured patient care
 - Minimize allocation of federal DSH cuts to NYS
 - Increases Medicaid reimbursement for Safety Net and At Risk/Other Need hospitals.
 - Estimated 8% increase for eligible voluntary hospitals
 - Assumes across the board rate increases for all services; however, a policy approach giving more weight to ambulatory and primary care, or services concentrated at safety net providers may be appropriate
 - Establishes precedent for tiered Medicaid payments based on safety net need status
 - Leverages new federal Medicaid funds, while retaining all existing federal DSH funds, allowing increased DSH funding for public hospitals.
 - Addresses disparity between well resourced and more needy hospitals

Additional Issues of Concern for the Coalition

- H+H remains exposed to the brunt of looming federal DSH cuts. State law must be changed so H+H is not primarily reliant on a pool of leftover DSH funds, leaving it subject to fluctuating payment amounts/timing and first in line for devastating federal DSH cuts.
- The State should fully enforcing compliance with the Hospital Financial Assistance Law
 - Federal risks like the proposed Public Charge regulation which will impact access to care
 - Hospitals should be required to use 1 uniform NYS application
 - Hospitals should be rigorously monitored to ensure compliance

Call to Action - #FixHospFunding

- Fixing the inequities in hospital ICP and DSH funding requires legislative/budget action in Albany.
 - The immediate priority is to ask the Governor to fix hospital funding in the Executive Budget that is to be released later in January—we still have time to influence the Executive Budget!
- **Call and e-mail the following message to the Governor’s Office at [\(518\) 474-8390](tel:5184748390) and at <https://www.governor.ny.gov/content/governor-contact-form>:**

“Governor Cuomo, fix the inequities in the distribution of state ICP and federal DSH funding in New York. These vital resources must be directed to those hospitals that provide the highest levels of health services for Medicaid and uninsured patients. Stop subsidizing profitable hospital systems that don’t need the money. Adopt the H +H Community Proposal developed and supported by members of the ICP Workgroup that you convened in 2018. It would increase Medicaid reimbursement rates for safety net hospitals, leverage additional federal matching dollars for healthcare, protect the state from larger federal cuts, and provide a fairer distribution of hospital funding based on need. I strongly urge you to do the right thing and fix hospital funding in New York.”

WHAT MORE MUST BE DONE?

- Get involved and find out more: #FixHospFunding
- Sign up your organization or group as a supporter
- If we don't get the H + H/Community Proposal included in the Executive budget that is released in January, we will take this fight to the legislature to ensure that it is included in the final budget that will be finalized in late March.
- We will have further updates and information about actions after the executive budget is released.

FIX HOSPITAL FUNDING IN NEW YORK. FAIR FUNDING NOW!



Resources

- Community Service Society of New York, “Unintended Consequences: How New York State Patients and Safety-Net Hospitals are Shortchanged,” January 2018, http://lghhttp.58547.nexcesscdn.net/803F44A/images/nycss/images/uploads/pubs/hospital_report_-_final_1_22_18_web.pdf
- Community Service Society of New York, “Incentivizing Patient Financial Assistance: How to fix New York’s Hospital Indigent Care Program,” February 2012, <http://lghhttp.58547.nexcesscdn.net/803F44A/images/nycss/images/uploads/pubs/IncentivizingPatientFinancialAssistanceFeb2012.pdf>
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- R. Tikkanen, “Funding Charity Care in New York: An Examination of Indigent Care Pool Allocations,” New York State Health Foundation, March 2017, available at <http://nyshealthfoundation.org/uploads/resources/examination-of-indigent-care-pool-allocation-march-2017.pdf>
- B. Hammond, “Hooked on HCRA: New York’s 20-Year Health Tax Habit,” Empire Center, January 2017 at 27-28. Available at <https://www.empirecenter.org/publications/hooked-on-hcra/>
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- Citizens Budget Commission, “Medicaid Supplemental Payments, The Alphabet Soup of Programs Sustaining Ailing Hospitals Faces Risks and Needs Reform,” August 31, 2017, available at <https://cbcny.org/research/medicaid-supplemental-payments>.