HB 09-1293

Colorado Health Care Affordability Act

Oversight and Advisory Board

June 23, 2009

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Objectives

- Inpatient hospital provider fee model
- Outpatient hospital provider fee model
- Core assumptions
- "B1/B2" calculation demonstration

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Goals

- Sustainable source of funding for hospital care for Medicaid and uninsured
- Improve the quality of health care services
- Reduce cost-shifting to private payers
- Secure new source of revenue to expand access to health care services
- Obtain federal approval

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Priorities

- Increase hospital rates to reduce uncompensated care costs
- Establish Quality Incentive Payments to improve quality of care
- Encourage hospital participation in public health care programs, without punishing those with more commercial patients
- Protect large public safety net hospitals

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Priorities

- Expand health care coverage for low-income children and pregnant women
- Provide health care coverage for low-income uninsured adults
- Allow more individuals with disabilities to join workforce without losing needed benefits

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FY 2009-10

FMAP	
Medicaid	61.59%
CHP+	65%

Total Fee Amount	$282.8M
Inpatient	$240.4M
Outpatient	$42.4M

Total Expenditures	$682.6M
Payments	$613.2M
Expansions	$60.8M
Dept. Admin.	$7.5M

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Inpatient Fee Calculation

- Two-tiered
  - Non-commercial days assessed at $133 per day
  - Commercial days assessed at $125 per day
- Discount
  - Large, urban, public, safety-net hospitals
    - 42.5% discount
- Exclusions
  - Free standing psychiatric, rehabilitation hospitals, long-term care hospitals
- Must pass B1/B2 test

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Inpatient Fee Calculation

- Hospital A
  - 1,000 non-commercial days x $133 = $133,000
  - 1,000 commercial days x $125 = $125,000
  - Total inpatient fee = **$258,000**
- Hospital B
  - 0 non-commercial days x $133 = $0
  - 2,000 commercial days x $125 = $250,000
  - Total inpatient fee = **$250,000**

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Inpatient Fee Calculation

- Core assumptions
  - Minimize losers as possible within federal regulatory requirements
  - Encourage hospital participation in public health care programs, without punishing those with more commercial patients
  - Protect large public safety net hospitals
  - Exclude allowable hospital types
  - Federal requirements, i.e., B1/B2

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Outpatient Fee Calculation

- Percent of outpatient charges
  - Total outpatient charges assessed at 0.47%
- Discount
  - Large, urban, public, safety-net hospitals
    - 1.4%
- Exclusions
  - Free standing psychiatric, rehabilitation hospitals, long-term care hospitals

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Outpatient Fee Calculation

- Hospital A
  - $200,000 outpatient charges x 0.47% = $943
  - Total outpatient fee = **$943**
- Hospital B – public safety net discount
  - $200,000 outpatient charges x 0.47% = $943
  - $943 x 1.4% discount = $930
  - Total outpatient fee = **$930**

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Outpatient Fee Calculation

- Core assumptions
  - Protect large public safety net hospitals
  - Exclude allowable hospital types
  - Federal requirements, i.e., B1/B2 and 5.5% Net Patient Revenue limit

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B1/B2

- What is B1/B2 test?
- Why do we do B1/B2?
- How does it work?
  - Don't worry, it's just math.
- What does it mean?

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What is B1/B2?

- A mathematically defined test prescribed in regulation.
- Used when a state wants to waive "Broad-based" and "Uniform" fee requirements.
- Allows a state to have an objective measure to achieve waiver.
  - Avoid "Hold Harmless" situation

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Why do we do B1/B2?

- Important influence on modeling process.
- Required in order to waive the "Broad-based" and "Uniform" fee requirements.
- CMS's interest is to avoid the "Hold Harmless" situation
  - Collect fee from providers
  - Get the federal match
  - Pay back providers' fee + federal match.

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How does it work?

- Don't worry, it's just math
- Ratio of the slope of two regression lines.

  (I know, this is what we're going to talk about)

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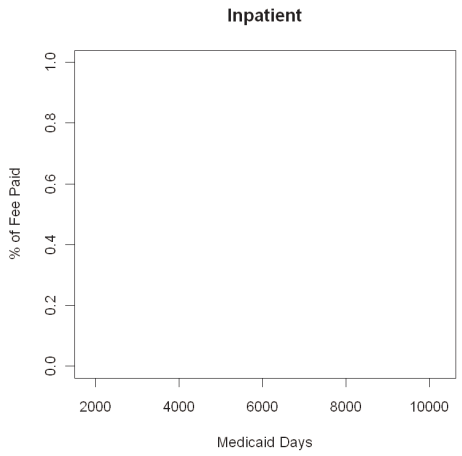
Graph



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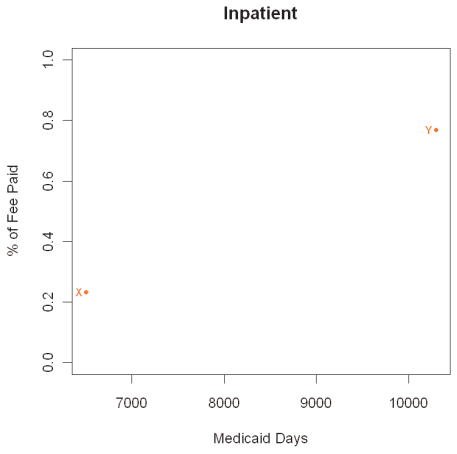
Data Points
(hospitals)



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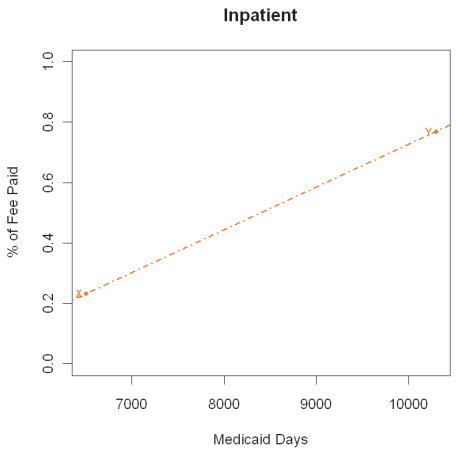
Slope and Regression



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B1/B2 Example

Uniform Dataset

- Now an example with four hospitals
- Assessed in a Uniform and Broad-Based manner.

Hospital Name	Medicaid Days	Uniform Fee Paid	% of Unform Fee Paid
A	1,850	815,000	3%
R	3,250	1,700,000	7%
B	6,500	5,000,000	21%
C	10,300	16,000,000	68%

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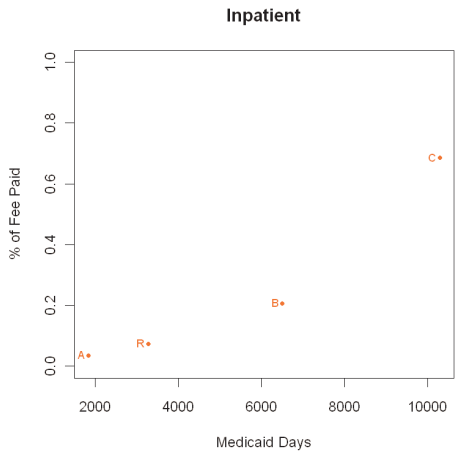
B1/B2 Example

Uniform Dataset



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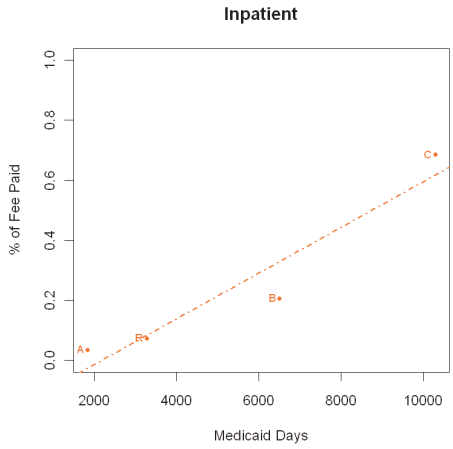
B1/B2 Example

Uniform Dataset (Finding B1 using regression)



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B1/B2 Example

Rehab Hospital Excluded

- Note how the fee paid numbers are the same for A, B, C
  - Their %-age paid has gone up however.

Hospital Name	Medicaid Days	Waiver Fee Paid	% of Waiver Fee Paid
A	1,850	815,000	4%
R	3,250	-	0%
B	6,500	5,000,000	23%
C	10,300	16,000,000	73%

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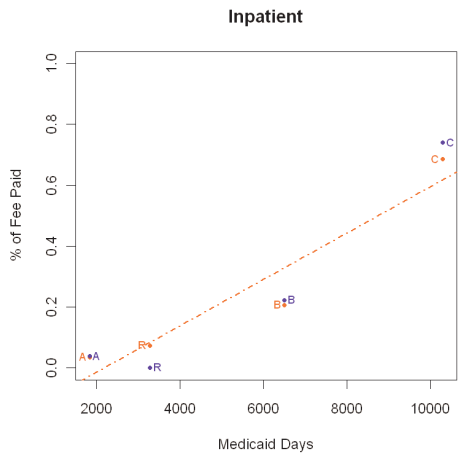
B1/B2 Example

Rehab Hospital Excluded(finding B2 using regression)



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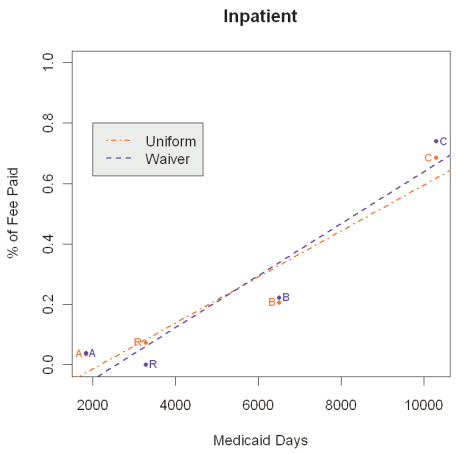
B1/B2 Example

Rehab Hospital Excluded(finding B2 using regression)



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B1/B2 Example

discounts introduced

- In order to pass the B1/B2 test discounts need to be introduced to change the slope of the B2 regression line

Hospital Name	Medicaid Days	Waiver Fee Paid (with Discounts)	% Waiver Fee Paid (with Discounts)
A	1,850	815,000	8%
R	3,250	-	0%
B	6,500	2,000,000	20%
C	10,300	7,000,000	71%

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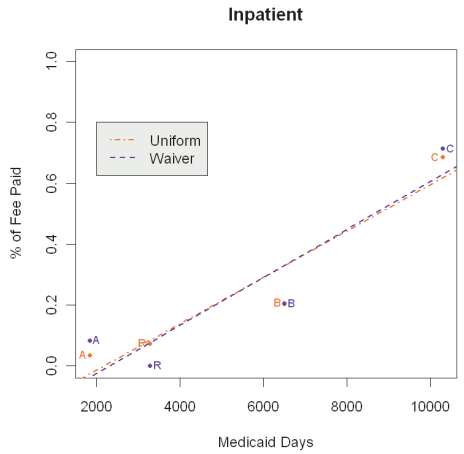
B1/B2 Example

discounts introduced



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Acronyms

- CHP+ – Child Health Plan *Plus*
- CICP – Colorado Indigent Care Program
- CMS – the Centers for Medicare and Medicaid Services
- DSH – Disproportionate Share Hospital
- FFP – federal financial participation, aka federal matching funds
- FMAP – Federal Medical Assistance Percentage
- FPL – federal poverty level
- JBC – Joint Budget Committee
- MSB – Medical Services Board
- RAI – Request for Additional Information
- SPA – State Plan Amendment

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