Navigating Serious Health Care Issues In A Wild Election Year
Looking ahead. But to what?
Recent Polling

AND WHILE CLINTON AND TRUMP REMAIN IN A DEAD HEAT...

NEWS

POPULARITY

CLINTON

TRUMP

PIKACHU

POKEMON GO
On the Horizon

- Oct. 28 through Nov. 4 – Early Voting
- Nov. 8 – Election
- Nov. 2016 – Legislative Bill filing begins
- Jan. 10 – Texas Legislature Convenes
- Jan. 20 – Presidential Inauguration
- May 29 – Texas Legislature Sine Die
The Texas Legislative Session

- Biennial Regular Session for 140 Days
- Odd-Numbered Years
- Second Tuesday of January
- 150 House / 31 Senate
  - Overwhelmingly Republican
- Governor, Lt. Gov., Comptroller
- Sine Die!
- Special-Called Sessions
- Interim
A Typical Legislative Session

In 2015 session, lasting 140 days:

- 6,677 bills filed
- THA tracked 835 bills
- Affected hospitals’
  - Budget
  - Operation
  - Policy
    - Licensing to Medical Waste
Legislative Process in Theory
Major Issues for State Leaders in 2017

- Economic growth puts pressure on infrastructure
  - 1,000+ people moving to Texas each day

- Political pressure to remain fiscally conservative
  - Decreased Oil and Gas Revenue decreases available revenue
  - Honor the constitutional spending cap
  - Don’t spend the Rainy Day Fund ($9 billion + balance)
  - Pass a Balanced Biannual State Budget

- Must Cut Taxes

- Focus on Water, Roads, Education

- Struggling with costs for ERS, TRS, CPS, State Debt, Toll Roads, Public Education, Tuition Deregulation, other Crisis Issues that will arise
What’s Happening at THA
Interim: ADVOCACY PRIORITIES

- Monitoring interim charges/hearings
  - Hospital reimbursement methodologies
  - 1115 waiver renewal / extension
  - 1332 waivers allow change to marketplace?
  - Future of Driver Responsibility Program and trauma care funding for trauma hospitals
  - Access to behavioral health care
  - Prompt pay penalties
  - Provider pricing transparency and network adequacy
  - “Surprise Billing”
  - Open carry legislation / Guns in Hospitals
1115 Medicaid Transformation Waiver

Medicaid 1115 Waiver Pool

Uncompensated Care Subpool

- Pays hospitals for cost of care not compensated by Medicaid directly or through DSH

Delivery System Reform Incentive Payment Subpool

- Hospitals eligible for funding must commit to investing in system transformation.
  - Hospitals must participate in a Regional Healthcare Partnership to receive funds from either pool.
  - Pays hospitals for achieving metrics that move toward the triple aim

Inpatient
Outpatient
Pharmacy
Clinic
Physician

CATEGORY 1 – Infrastructure Development
CATEGORY 2 – Program Innovation & Redesign
CATEGORY 3 – Quality Improvements
CATEGORY 4 – Population Focused Improvements
What’s at Stake?

- **UC Funding**
  - $17.6 billion between 2011 and 2016
  - Offsets some of the costs of providing care to uninsured and Medicaid patients

- **DSRIP Projects and Funding**
  - 1,491 active projects
    - Increasing access to primary care, behavioral health services, specialty care
    - Improving chronic disease management
    - Reducing unnecessary use of hospital ER
    - Promoting better health outcomes
    - Integrating behavioral health and physical health care
  - $11.4 billion in earned payments between 2011 and 2016

- **Statewide Medicaid Managed Care** - $8.65 B in savings over the five years of waiver
Current five-year waiver was set to expire Sept. 30, 2016
Gov. Greg Abbott submitted an extension application to CMS last September
Request was originally for another 5-year term
15 months extension granted, through December 2017
No major changes to managed care, DSRIP or UC terms and conditions during extension.
Study being performed to determine uncompensated care provided in Texas.
New waiver must be negotiated / Funds must continue
Importance of UC in Texas

1. Uninsured residents (19.1% of state’s population)
2. Large Medicaid shortfall (63% of actual costs)

Projected Uncompensated Care Costs 2015-2021 (Pre-Supplemental Payment Offsets)
(Source: THA Calculations Of THHSC Data From June 2015)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost (Billion)</th>
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<tbody>
<tr>
<td>2015</td>
<td>$7.1</td>
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<tr>
<td>2016</td>
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<tr>
<td>2017</td>
<td>$7.4</td>
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<tr>
<td>2018</td>
<td>$8.1 (BILLION)</td>
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<tr>
<td>2019</td>
<td>$8.6 (BILLION)</td>
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<tr>
<td>2020</td>
<td>$9 (BILLION)</td>
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<tr>
<td>2021</td>
<td>$9.6 (BILLION)</td>
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Potential Obstacles

- No Coverage Expansion
- Medicaid Shortfall
  - 63% of cost paid in Medicaid
  - $3.6B Medicaid Shortfall
- Florida Pool Modeled in TX
  - $3.1B UC to $1.2B
- Method of Finance
  - CMS agreed to give state until end of August 2017 to resolve any issues with hospital funding methodology
Hospitals agreed to $155B in cuts in Medicare and Medicaid over 10 years

Tradeoff: More insured patients
- Marketplaces with subsidies to make affordable
- Medicaid expansion to 133% of FPL ($30,657 for a family of 4)
- Insurance requirements
- Insurance reforms (lifetime limits, preexisting conditions, medical loss ratios, etc.)
- Movement to quality-based payment system

Coverage financed by $500B in cuts to hospitals, home health, nursing homes and Medicare advantage plans + new revenue (see next slide...)
Cadillac tax = $18 billion (delayed 2 yrs.)
Tax on health insurers = $156 billion (delayed 1 yr.)
Employer penalties for companies that fail to offer health insurance = $178 billion in deficit reduction
Penalties for individuals who fail to purchase health insurance = $38 billion
Annual fee on manufacturers and importers of branded drugs = $30 billion
Excise tax on manufacturers and importers of certain medical devices = $24 billion
2017 Hospital Challenge

Hospitals $8.9 Billion in Uncompensated Care

Federal v. State Challenge

- Low Hospital Rates Increase UC Need
- No Coverage Expansion Increases UC Need
Cumulative Impact of Cuts

Estimated Impact of Standing Medicare and Medicaid Payment Cuts

Hospitals in Texas

(Shown in Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Medicare Cuts</th>
<th>Medicaid Cuts</th>
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<tbody>
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<tr>
<td>2021</td>
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Medicare Cuts: Ten-Year Impact ($18.6 billion)
- ACA
- Sequestration
- Bad Debt

Medicaid Cuts: Ten-Year Impact ($8.1 billion)
- Medicaid Inpatient/Outpatient Hosp 8% Reduction
- Medicaid Equalization
- Emergency Room and Imaging
- Managed Care Expansion
- Outlier and APR-DRG
- Children’s Hospital UPL
Preserve Trauma Care Funding

**GOAL:** Secure Driver Responsibility Program to help continue offsetting trauma care costs for designated trauma hospitals.

**EXPECT:**
- Legislation to repeal and/or alter DRP

**INTERIM WORK**
- Engage lawmakers and others on importance of DRP to funding trauma care in Texas.
- Look at Alternative Funding Options for Trauma Fund.
- Legislative Strategy to Retain/Fix Trauma Fund.
Funding for GME and Nursing Education

**GOAL:** Retain Texas medical students in Texas residency programs, increase nursing graduates.

**2015 SESSION**
- Passed legislation to increase number of residency slots in Texas to one graduate to 1.1 slots with $53 million in funding.
  - THECB awarding GME planning and partnership grants to hospitals and medical schools to continue / increase GME slots (e.g. fund 290 new slots).
- The physician loan education repayment program was funded at $33 million for agreement to practice in a HPSA and provide care to Medicaid and CHIP enrollees.
- $34 million for the Professional Nursing Shortage Reduction Fund, which provides funds to Texas nursing schools for increasing the number of nursing graduates in the state.

**NEXT SESSION:** Retain funding.
Investing in Behavioral Health Care Services

**INTERIM:** House Select Committee on Mental Health / Senate Health and Human Services / Senate Finance / House Appropriations Committee

**NEXT SESSION:**

- Continue enhanced funding for inpatient capacity to cover additional beds:
  - 100 beds in FY 2016
  - 150 beds in FY 2017

- Continue funding for education loan repayment for mental health professionals practicing in underserved areas
  - $2.1 million to Texas Higher Education Coordinating Board in FY2016-17

- Implement Statewide Behavioral Health Strategic Plan

- Insurance Parity for BH services (coverage and payment)
Managed Care & Billing Initiatives

INTERIM WORK IN PREPARATION FOR NEXT SESSION:

- Retain prompt pay penalties owed to hospitals from health plans that don’t pay on time
  - House Insurance Committee Interim Study
  - Senate Business and Commerce Interim Study
- Participate in Debate on Physician Balanced Billing / “Surprise” Billing
  - Physicians not contracted with health plans
- Pricing transparency for patients
- Support policies that ensure network adequacy in health plan networks
Meanwhile, in D.C. ...
All Eyes on November 8th….

- Senate
  - 34 seats up for reelection, 8 seat GOP majority
    - Watch races in FL, IL, IN, NH, NV, OH, PA, WI

- House
  - All 435 up for election, 60 seat GOP majority

- Texas Delegation
  - 38 members, 2 new members (Lubbock, S. Texas)
  - CD 23 Race to Watch (Hurd v. Gallego)
Remainder of 2016

- Congress Returns to Work Sept. 6
- Possible Work Days Remaining in 2016 = 30
  - Lame Duck Session after Election
- FY2017 Budget – FY starts Oct. 1
  - Expect a Continuing Resolution
    - 2 months
    - 6 months (*through inauguration)
    - 1 year
Looking into 2017

- Expect proposed rules further implementing the Medicare Access and CHIP Reauthorization Act (MACRA)
  - Physician payment reform legislation that replaced the Sustainable Growth Rate (SGR)
- Expect further expansion of bundled payment programs and other alternative payment model demonstrations from CMS
- Potential to see new proposed rules on 340B and GME/IME
Agenda will be dictated by what Congress does / does not do in the next four months, and the outcome of the presidential election.

Donald Trump:
- [https://www.donaldjtrump.com/positions/healthcare-reform](https://www.donaldjtrump.com/positions/healthcare-reform)

Hillary Clinton:
- [https://www.hillaryclinton.com/issues/health-care/](https://www.hillaryclinton.com/issues/health-care/)
Serious Budget and Policy Issues Exist. Meanwhile.....
I have come to the conclusion that politics are too serious a matter to be left to the politicians.

Charles De Gaulle
Thank you.

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