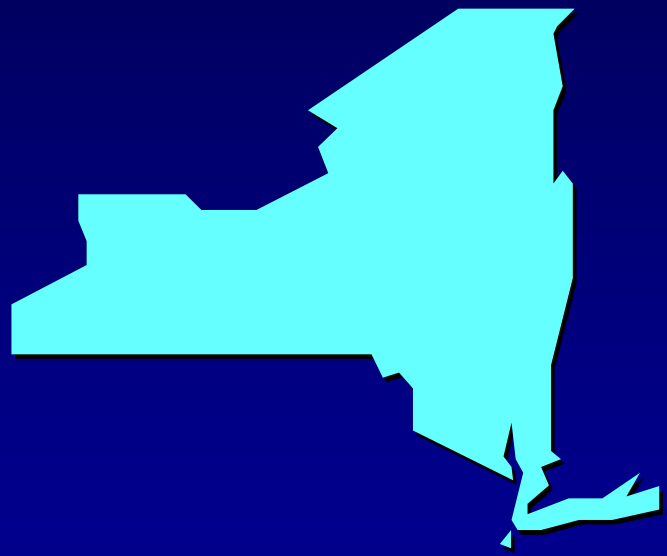
Commission on Health Care Facilities in the 21st Century



Acute Care Reimbursement and Systemic Reform Issues

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"Money Changes Everything"

- We get what we pay for
- $ affects supply, demand, and location of services
- Opportunity for non-binding recommendations
  - Reimbursement reform
  - Other systemic changes

Discussion Outline

- Describe acute care reimbursement system, focusing on Medicaid
  - Identify major issues
  - Describe reform options
- Systemic reform issues
  - Primary care infrastructure
  - Workforce development
  - Alternate delivery models
  - Information technology

Health Care Reform Act of 1996

- Governs NYS acute care reimbursement system
- A major departure
  - Deregulated inpatient rates for private payers
  - NYS hospitals negotiate rates for 1st time
- Pools established to support “public goods”
  - Bad debt and charity care, GME and others
- Medicare and Medicaid fee-for-service rates continue to be set by federal and state government

A Focus on Medicaid and the Reform Agenda

- Medicaid's Magnitude
  - Among largest items in state/county budgets
  - Approximately $45 billion/year
  - Pays for more than one quarter of all NYS hospital discharges
- Medicaid's importance varies by institution
- Medicaid policy can influence private and federal payers

Principal Issues in Medicaid Reimbursement

- Inpatient rates
- Rate paradigm
- Obstetrics rates
- Emergency services rates
- Outpatient rates

Medicaid Inpatient Rates

- Current Method
- Issues
  - Base year is outdated (1981)
  - Service Intensity Weights are outdated (1992)
  - “Rate Paradigm”
- Options
  - Recalculate Service Intensity Weights
  - Recognize and Support Safety Net Providers

Medicaid Obstetrics Rates

- Current Method
- Issues
  - Declining availability and access
  - Unreimbursed costs of safety net providers
- Options
  - Comprehensive DRG re-weighting
  - Add-ons to the base rate
  - Tort reform

Medicaid ED Rates

- Current Method
- Issues
  - Adequacy of payment rate
  - Trauma center costs
- Options
  - Continue to raise rates
  - Establish system of tiered rates
  - Implement trauma rates
  - Reduce inappropriate ED utilization

Medicaid Outpatient Rates

- Current Method
- Issues
  - Adequacy of payment rate
  - Payments differ by licensure
- Options
  - Increase outpatient rates
  - Implement “products of ambulatory care”
  - End system of varying payment by type of licensure

Public Goods

- HCRA pools support public goods
- Funded by surcharges and assessments on payers and providers
- Hospital Indigent Care Pool disbursed $847M in 2006
  - General Hospital Pool $765M
  - High Need Indigent Care Adjustment $82M

Indigent Care Pool Distribution

- Method
- Issues
  - Outdated cost and statistical data
  - Safety net hospital costs not fully captured
  - Need vs. “high need” hospitals
- Options
  - Update cost and statistical data
  - Drive greater portion of funds to “high need”

Systemic Issues: Primary Care

- Role of Primary Care
- Access Problems
- Primary Care Reform
  - Ensure a primary care “home”
  - Stem erosion of primary care capacity
  - Invest in facilities, equipment and IT
  - Ensure adequate financial support

Systemic Issues: Workforce Investment

- Economic anchor
- Healthcare accounts for 1 in 9 jobs statewide
- Shortages, recruitment and retention challenges
- Education and training needs
- Technologically sophisticated

Systemic Issues: Alternate Delivery Models

- Full service hospital not always needed in every community
- Models that provide less are generally not financially viable
- Greater flexibility could reduce duplication, enhance access, and ameliorate impact of full closures

Systemic Issues: Information Technology

- Hospital of the future must be fully “wired” for quality, integration of care across the continuum and for efficiency
- Investment in healthcare IT lags behind other sectors
- New partnership models required