

# State and Federal Legislative Update

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# 2017 State Legislative Agenda

- Medicaid funding
  - Governor's budget of \$82B is based on \$929M reduction in hospital rates
    - Revised rate ranges for Medicaid managed care (floor from 100% down to 90% and ceiling from 120% down to 110%)
    - Automatic rate enhancements reduced
      - Eliminates add on payments to hospitals with unreimbursed Medicaid and charity care in 2015 was less than 67.06% of overall profit
    - Reauthorizes LIP
      - Tiered methodology based on charity care provided

# Other Issues of Concern

- Certificate of need
- 24 hour ASC stay
- Recovery care centers
- Transparency
- Workers' compensation
- PIP

# Patient Protection and Affordable Care Act (PPACA or ACA) of 2010

- ACA cuts were enacted to fund increased coverage and/or long-term deficit reduction goals
  - Medicare reductions: various provisions changed the way providers were paid
    - Over 100 provisions impacting Medicare provider payments
    - Medicare reductions are not what we think about when we say “ACA”
    - Also included opportunities to increase reimbursement based upon quality of care

# Reconciliation: Congressional Action

- A budget process that allows Congress to use a simple majority to pass a bill that repeals the Affordable Care Act
  - Same process used to pass ACA in 2010
- Much discussion re repeal and replace or repair
  - Time frame for action appears to be extended

# Steps to Repeal the Affordable Care Act

- Congress took procedural steps in early January
  - Passed FY2017 budget resolution with reconciliation instructions that can be used to repeal ACA
    - Only 51 votes required for bill to pass
  - Provided reserve fund that can be made available for Congress to use in the future for any ACA replacement

What might be included in reconciliation?

- Repeal of the employer mandate
- Repeal of the individual mandate
- Eliminate subsidies for the exchange
- End increased federal funds for Medicaid expansion
- Eliminate 'Cadillac' health plan tax
- Eliminate tax credits for small businesses
- Reduce Medicaid eligibility standards for children under age 19 (Repeals CHIP Maintenance of Effort)
- Eliminate medical device tax
- Eliminate health insurance plan fees
- Eliminate provider payment reductions

## What cannot be included in reconciliation?

Allowing adults to stay on parents health insurance until age 26

Preventing insurers from declining to cover pre-existing conditions

Annual and lifetime coverage caps

Prohibit insurers from rescinding insurance for consumers once they are sick

Limiting the premium amount insurers can charge older adults – currently, no more than 3x cost of younger people's premiums

# Coverage is Key

- Challenge to preserve coverage
  - Over 20 million people gained coverage through the health insurance marketplace
  - 31 states have expanded Medicaid coverage, including 11 with Republican Governors
- Shift to Medicaid block grants or per capita caps

# Medicaid's Current Financing Structure

- Federal dollars guaranteed as match to state spending
- In total, states are estimated to receive \$393 billion in federal Medicaid funds in FY2017, as a match to a projected \$230 billion in state funds
- Matching rates vary by state, population and service
- States must follow federal rules or waiver terms & conditions

# Block Grants

- Amounts typically allocated among states by reference to spending in a base year
- Caps could be frozen (no year-to-year increase), but Medicaid block grant proposals typically allow capped payment to grow based on a national trend rate
- Provides funding certainty to federal government; shifts risk for enrollment and health care costs to the states

# Block Grants (con.)

- States may or may not have a state spending requirement
- Eligibility and benefit rules set by block grant legislation, generally giving states more flexibility

# Per Capita Caps

- Cap amount set based on state's per enrollee spending in a base year; proposals typically grow the caps consistent with a national trend rate
- Caps would vary by eligibility category

# Per Capita Caps (con.)

- Shifts the risk of higher health care costs, but not enrollment, to the states
  - May be subject to national cap, limiting ability for federal funds to grow with enrollment – would shift both enrollment and cost risk to the states
- State match typically required; federal funds provided to states based on actual expenditures up to the cap

# ACA Replacement Plans

- “Better Way” by House Speaker Paul Ryan
- “Empowering Patients First Act” by HHS Secretary Tom Price
- “The Obamacare Replacement Act” by Sen. Rand Paul
- Cassidy-Collins Bill sponsored by Sens. Bill Cassidy (R-LA) and Susan Collins (R-ME)

# ACA Replacement Plans (con.)

- Obamacare Repeal and Replace Policy Brief and Resources
- Leaked draft house bill (February 24)
- ??????

# Our Message

- We strongly support health coverage for those who need it
- Must preserve coverage for the 21 million people who gained under the ACA
  - Recent study has found that if ACA is repealed without a bill providing simultaneous coverage accompanying it, the net impact to hospitals nationwide from 2018 to 2026 would be \$165.8 billion from loss of coverage

# Our Message (con.)

- ACA is not perfect – needs to be repaired but hospitals must be part of the dialogue
- Ensure that hospitals have funding necessary for care within our communities
- If coverage is not preserved, must eliminate the payment reductions for future years
- Hospitals must be looked at as employers and economic engines within their communities when evaluating impacts

# Questions??

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