



Health Care Reform: Update

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Today's Health Care Market

- Federal

- Medicaid is a key strategy employed by states to finance coverage for the uninsured
- As the number of uninsured continue to rise, states make the move to cover more people with Medicaid
- Currently there are 42 states moving forward with plans to expand health insurance coverage by relying extensively on Medicaid to support and finance their efforts



Today's Health Care Market

- Federal

- Since the economic downturn in 2001, Medicaid earned a place in the spotlight of budgetary decision making
- Controlling Medicaid spending and growth was the focus
- MMA 2006 – low income seniors/disabled individuals transitioned to Medicare Part D for drug coverage
- DRA of 2005, enacted in 2006 brought new requirements for verification of citizenship and identity



Today's Health Care Market

- Federal

- Nationwide, Medicaid spending growth declined in 2006 for the first time in the program's 40 year history
 - Part D
 - DRA – reduction in enrollment growth



Today's Health Care Market

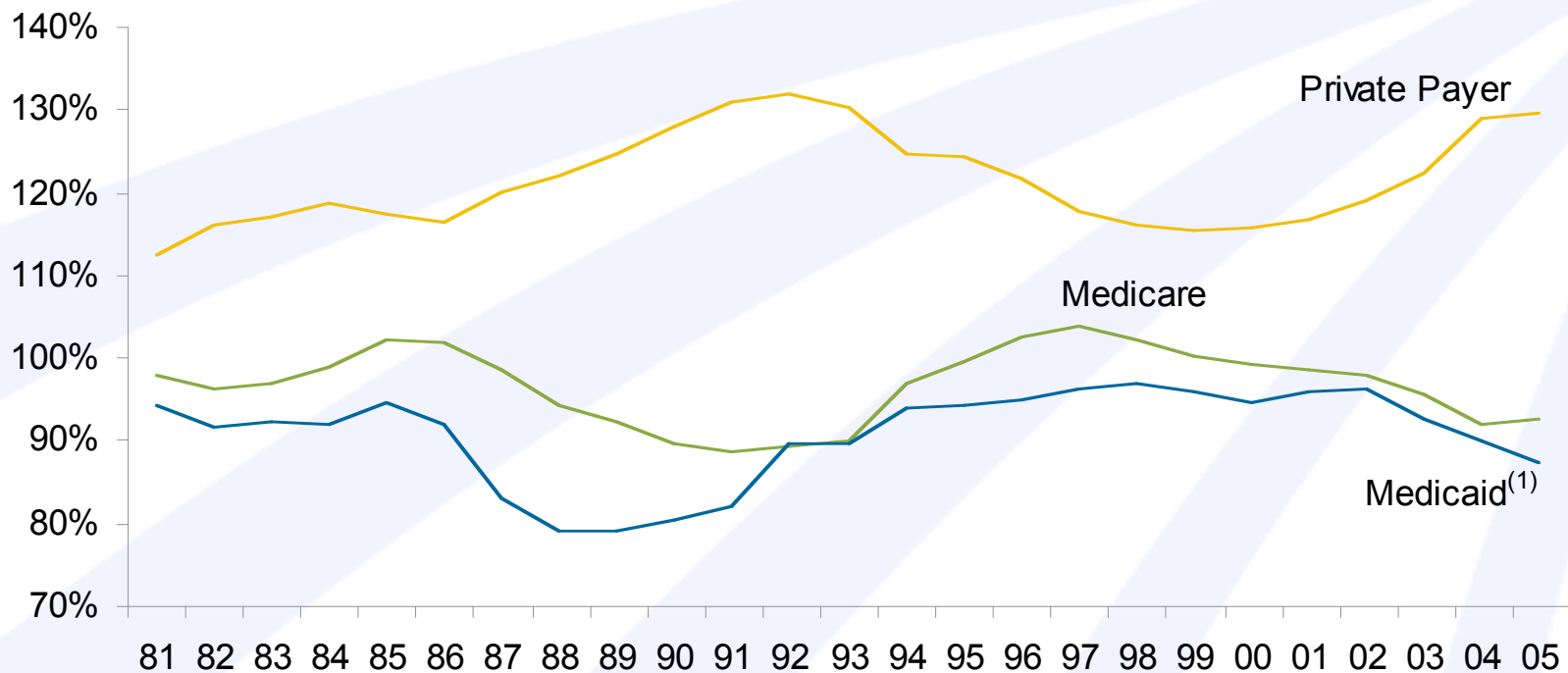
- Medi-Cal

- Only 4 of the last 22 years have reported increased Medi-Cal rates (cola)
- Severely under-funded: \$2.7 billion in 2007
- 6.7 million low-income/disabled enrolled in Medi-Cal
- \$28 billion cost of program
- Federal match \$1 for \$1 on Medi-Cal



Today's Health Care Market

Aggregate Hospital Payment-to-Cost Ratios for Private Payers, Medicare, and Medicaid, 1981 – 2005





Today's Health Care Market

- California

- 8th largest economy in the world
- Population over 36 million
- Health spending contributes 11% to the state's GDP
 - National average is 16%
- 6.8 million uninsured (20% of population)
 - National average is 17%
- Hospitals face unfunded mandates
 - Staffing, seismic, technology



Health Care Reform

- Governor's Health Reform Proposal
 - Increase Medi-Cal rates to federal maximum allowable
 - Increase managed care Medi-Cal payments to at least equal to the increase in FFS payments
 - Insure 4.8 million Californian's
 - Expanded Medi-Cal and Healthy Families
 - State Purchasing Pool
 - Employer mandate
 - Individual mandate



Health Care Reform

- Governor's Health Reform Proposal
 - Funded by 4% "Coverage Dividend Fee"
 - Tobacco tax \$2.00 per pack additional
 - Employer tax up to 6.5% of payroll
 - Increased federal funding
 - Some County funds would shift back to State



Health Care Reform

- Governor's Health Reform Proposal
 - Hospital Model projected: (excluding designated publics)
 - \$1.7 billion in fees raised
 - \$1.5 billion Medi-Cal payment increases
 - \$800 million in Medi-Cal managed care increases
 - \$1.0 billion in payments for the previously uninsured who move to:
 - Medi-Cal, Healthy Families, Purchasing Pool
 - Employer and individual mandated coverage



Health Care Reform

- Governor's Health Reform Proposal
 - Senate Health Committee did not pass the bill in January
 - LAO report questioned the proposals financial viability
 - State budget deficit concerns weighed heavily on Legislature



Health Care Reform

- CHA remains committed to comprehensive health care reform
 - A fragmented approach does not work
 - A tax on hospitals without coverage for the uninsured produces devastating results for the industry
 - Governor indicates legislation in 2009 with a ballot initiative in 2010
 - Focus now is the budget



Budget Concerns

- Governor's budget proposal
 - Non-contracted facilities would receive 10% payment reduction (\$60 million)
 - Distinct-part SNF would see 10% payment reduction (\$114 million)
 - Private DSH cut of 10% (\$48 million)
 - Safety Net Care Pool (\$54 million)
 - Outpatient rates 10% (47 million)
 - Managed care, physicians, pharmacy, other



Budget Concerns

- Budget Approved by the Legislature
 - Non-contracted facilities would receive 10% payment reduction (\$60 million)
 - Distinct-part SNF would see 10% payment reduction (\$114 million)
 - Outpatient rates 10% (47 million)
 - Managed care, physicians, pharmacy, other
 - Payment delays this Summer



Budget Concerns

- Legislative Analysts Office
 - Criticized Governor's budget plan
 - Offered an alternate budget proposal
 - Some cuts off the table
 - Some cuts back on the table
 - Additional cuts introduced
 - Supported cuts to non-contracted hospitals, citing payment increases over recent years



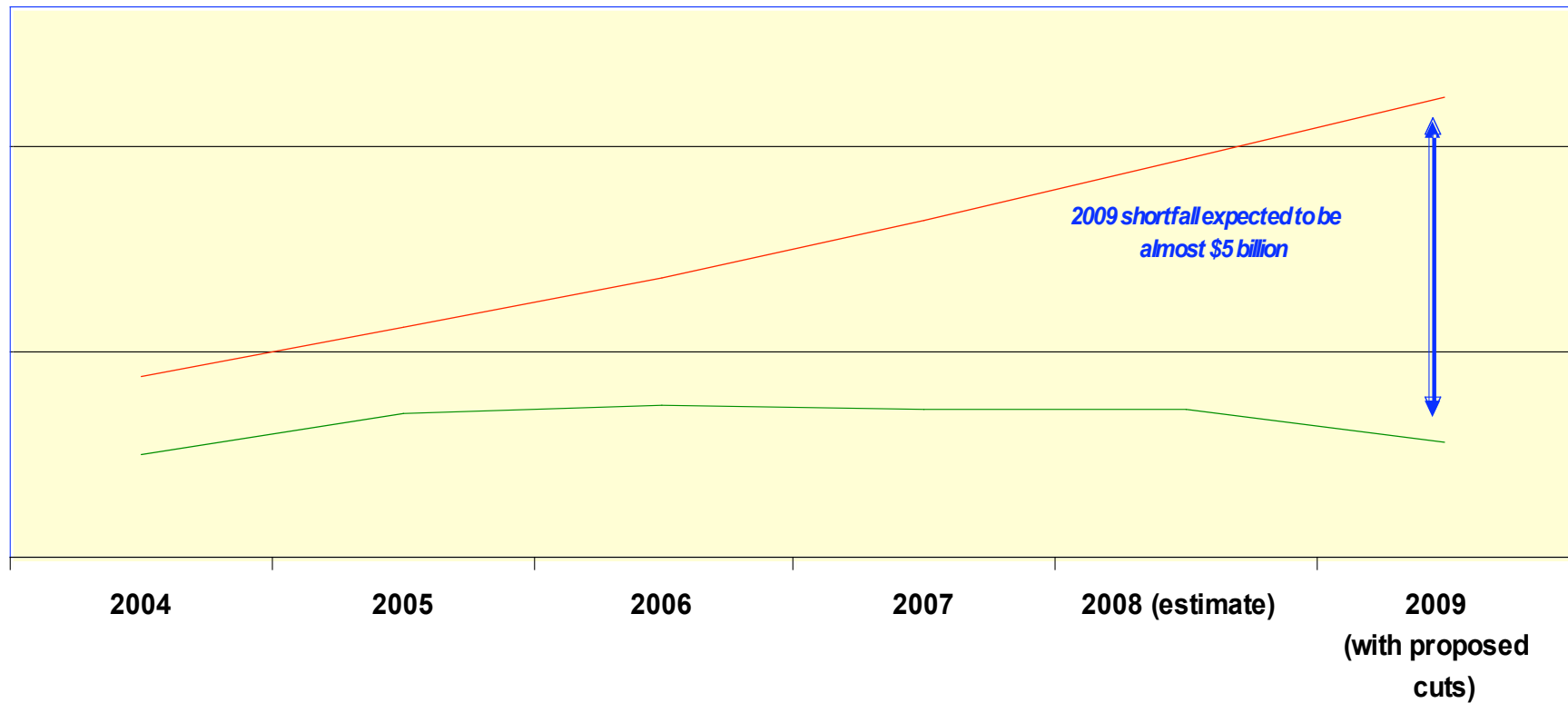
Budget Concerns

- Hospital cost increases outpace any increases in reimbursement
 - Not because of inefficiency
 - Labor – staffing mandates, benefits, shortages
 - Supplies
 - Plastic-based materials mean increased costs
 - » Driven by increases in oil prices
 - Prescription drug costs
 - Administrative burdens associated with billing the Medi-Cal program (TARs, proprietary billing codes, denials)



Budget Concerns

Medi-Cal Funding Shortfall for California Hospitals





Budget Concerns

- Legislative Analysts Office – Alternate Budget
 - Non-contracted facilities would receive 10% payment reduction (\$60 million)
 - Private DSH cut of 10% (\$48 million)
 - Safety Net Care Pool (\$145 million)
 - Cuts to managed care plans
 - May be passed down to providers



Budget Concerns

- What are we doing?
 - Comprehensive advocacy program
 - Legislative advocacy
 - Fact-based
 - Lobbying
 - Briefings and education
 - Patient impact



Budget Concerns

- What are we doing?
 - Comprehensive advocacy program
 - Public advocacy
 - Local elected officials
 - Community leaders
 - Media
 - Correspondence and news article templates



Budget Concerns

- What are we doing?
 - Comprehensive advocacy program
 - Collaboration
 - Coalition groups
 - Unified message about the impact to patient care
 - Health care, business, and other industry groups



Budget Concerns

- What can you do?
 - Grassroots advocacy
 - Be factual
 - Explain impact to patients and the community
 - Service reduction
 - Reductions in workforce



Questions??

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