Hospitals play an important role in delivering care:

- Hospitals are on the front lines
- Delivering life-saving care
- 24 hours a day, seven days a week, 365 days a year
- Regardless of ability or willingness to pay
- Provided more than $12 billion in unpaid care in 2009
- Commitment to creating an optimally healthy society
Federal Health Care Reform: Impact on Hospitals

Hospitals will face challenges implementing health care reform:

• As enacted, the Accountable Care Act (ACA) will:
  • Continue with payment shortfalls by Medicare and Medi-Cal
  • Ratchet back hospital payments to pay for health care reform
  • Worsen hospital losses and result in shifting more costs to employers and individuals in the private insurance market
Federal Health Care Reform: Impact on Hospitals

Expected Medicare Shortfall Over the Next 10 Years

Hospitals face more than $17 billion in Medicare payment reductions over the next ten years, creating massive financial burdens on top of historical payment shortfalls.

$3.6 2009

$8.8 2019

$ Billions

Hospital Medicare Losses
Medicare Reductions PPACA
Hospitals have historically “shifted” uncompensated care to the commercial market to offset government program underfunding.
Beginning in 2014, the Medicaid program will be expanded to cover non-elderly individuals, including parents; children; and childless adults, up to 133% of the federal poverty level (FPL).

Creation of a High Risk Pool: 90 days after enactment, a $5 billion national high-risk insurance pool will be developed to allow individuals with a pre-existing medical condition, who currently are unable to purchase private health insurance, to access insurance.

Six months after enactment, any group plan or plan purchased on the individual market that provides dependent coverage for children, must continue to offer such coverage until the child turns 26.

“Private insurance companies will be prohibited from denying coverage to children due to a pre-existing condition.”
Federal Health Care Reform: Impact on Hospitals

What will happen to this growing gap?

- More enrolled in Medicaid...
- Major cuts to Medicare....
- Pressure on commercial rates.....

Private Payer

Medicare

Medicaid(1)
# Health Care Reform

## Value
- Reduced Cost
- Improved Quality
  - Delivery System Reforms
  - Center for Medicare and Medicaid Innovation
  - Accountable Care Organizations
  - Hospital-Physician Alignment
  - Medical Home - Patient Centered Care
- Payment Policy Changes
- Value Based Purchasing
- Hospital Acquired Conditions
- Readmission Penalties
- Bundled Payments

## Insurance Reform
- Commercial Insurance Reforms
- Marketing Practices
- Insurance Rating Limits
- Essential Health Benefit Package
- Medical Loss Ratio
- Lifetime and Annual Limits
- Dependent Coverage
- Waiting Periods
- Guaranteed Issue and Renewal
- Non-Discrimination Pre-existing Conditions
- Rescission Prohibition
- High Risk Pool
- Employer Responsibility
- Mandate
- Early Retirees
- Auto Enrollment
- Individual Responsibility

## Coverage

## Expansion
- Medicaid Expansion
- CA CEED
- Exchange
- Benefits Package
- Individual/SHOP

## Prevention/Wellness
- Workforce - Recruitment, Training, Retaining Workforce for Current and Future Needs

## Other Provisions
- Develop New Measures
- Expand Quality Reporting
- Comparative Effectiveness
- Patient Safety, Quality and Transparency
- Program Integrity
- Patient Safety, Quality and Transparency
- Fraud and Abuse
- Compliance Programs
- Medicaid RAC
- Provider Screening
- Enhanced Penalties
- Enhanced Penalties
- Program Integrity
- Prevention/Wellness

## Core Competencies
- Leadership
- Health Information Technology
- Organizational Commitment
- Physician Integration
- Innovation
Implementing Reform

Payment

Value

- Delivery system reforms
- Payment policy changes
- Program Integrity
- Patient safety and quality

ACOs, Medical Homes, CMI
FCA, RAC, CMP, MIP

Payment

Bundling, shared savings
HAC, Readmit, VBP

Quality
Implementing Reform: ACOs

Accountable Care Organizations (ACOs):

- Hospitals and physicians must work together
- Reach common vision, goals and outcomes
- Serve the public interest, strengthening both parties, individually and collectively
- Trust and transparency are essential
- Jointly develop financing/delivery options
- Investment of resources, time and effort
Implementing Reform: ACOs

Accountable Care Organizations (ACOs):

• ACOs are one option among choices for organizing and delivering health care
• ACOs are not a solution for all communities, hospitals or physicians
• ACOs should be developed to improve quality, increase productivity and manage utilization
Implementing Reform

Core Competencies

Innovation
Leadership
Alignment
Commitment
Implementing Reform

Strategic Issues for Hospitals:

- Enhance efforts to improve quality
- Increase clinical and operational efficiencies
- Increase efforts to improve patient satisfaction
- Reduce avoidable readmissions
- Assess and strengthen planning for HIT
- Examine readiness for payment and care redesign
- Foster physician alignment and clinical integration
Implementing Reform

HCR Advocacy Efforts on Behalf of Hospitals:

• Reduce or eliminate the coding offset
• Ensure multi-campus hospitals are treated equitably for HIT
• Find a solution to the expiring “physician fix”
• Maximize Medi-Cal revenue for hospitals under the waiver
• Represent California hospitals on geographic variation, delivery system reforms, quality, transparency, coverage expansion and other issues
Federal Health Care Reform: Impact on Hospitals

Thank you!

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