First Illinois HFMA Fall Summit
Government Relations Update

Presented by:

IHA Illinois Hospital Association

Sponsored by:

BARNES & THORNBURG LLP
Learning Objectives

1. Understand the role of the Illinois Hospital Association (IHA) and Metropolitan Chicago Healthcare Council (MCHC)

2. Informed on issues of importance for hospitals on the state, federal and regional level

3. Understand challenges faced by hospitals and advocacy work accomplished for member hospitals
First Illinois HFMA Fall Summit
State & Federal Update

November 5, 2013
Who We Serve: A Look at IHA’s 204 Members

CAH = Critical Access Hospital, usually located in a rural area, < 25 beds.

IHA = Illinois Hospital Association
How we serve our members

Advocacy
• IHA is the recognized representative of all Illinois hospitals.
• We represent our members’ interests in both Springfield and Washington - in the legislature, with administrative agencies, in the courts, and with the media.

Education & Information
• IHA keeps member hospitals and executives up-to-date on the vast array of information that they need to serve their communities ... new laws, new regulations, latest trends, best practices.
• Educational Programs & Webinars □Web Sites □Newsletters □E-Mail Alerts □CEO Memos

Quality
• The IHA Quality Care Institute offers a variety of innovative programs and services aimed at measurably improving the quality of patient care in Illinois hospitals.

Data
• IHA collects, analyzes, and reports data to members on a variety of issues.
Networking

• IHA facilitates networking and the exchange of ideas among hospital leaders at the Annual Leadership Summit, Small & Rural Annual Meeting, Constituency Section Meetings, and Regional Meetings.

Business Solutions

IHA and its subsidiaries offer an array of essential services to members:

• COMPdata

• Illinois Purchasing Collaborative - Group Purchasing Organization

• Hospital Liability Claims and Risk Management

• Property and Casualty Actuarial Services

• Workers Compensation Claims and Loss Control

• Group Unemployment Services
Health Care Issues Addressed 2013

• HIE/Mental Health Confidentiality
• Physician Licensure Fees
• Nurse Staffing Ratios stopped again
• Hospitals excluded from concealed carry
• Expanded APN Scope of Practice
Medicaid/Budget Issues Addressed 2013

• Budget - NO Medicaid rate cuts
• Medicaid Expansion - $Billions to Illinois
• Medicaid Care Coordination - ACEs
• Blocked HMO Language - “cause to be paid”
• Hospital Capital Grants Re-appropriated
Key 2014 Issues

• Pension Reform

• State Health Insurance Marketplace

• Exclusive Provider Organizations

• Hospital Licensing Fee for quality and patient safety

• Telehealth Reimbursement
Key 2014 Issues

- Medicaid Rate Reform
- Medicaid Care Coordination/ACE Solicitation
- 1115 Medicaid Demonstration Waiver
- State Innovation Model Plan
- Hospital Assessment Program - UPL Solution
Illinois Budget Woes

TODAY ...

- Comptroller: $6+ billion unpaid bills end of FY2013
- Worst-funded pension system of any state
- Unfunded pension system liabilities: $100 billion
- Unfunded state retiree health benefits: $44 billion
- Lowest credit rating of any state
Illinois Budget Woes

TOMORROW …

• Comptroller: $6+ billion unpaid bills end of FY2013
• Worst-funded pension system of any state
• Unfunded pension system liabilities: $100 billion
• Unfunded state retiree health benefits: $44 billion
• Lowest credit rating of any state
• Income tax increase sunsets 12/31/14: $7 billion
• Provider Assessment sunsets 12/31/14: $1.2 billion
Growing by $5 million a day

General Funds
Pension Contributions

FY2008-FY2014 (billions)

FY2008 $1.5
FY2009 $2.3
FY2010 $3.5
FY2011 $3.7
FY2012 $4.1
FY2013 (aprop) $5.1
FY2014 (Introduced) $6.0

BUDGET.ILLINOIS.GOV FY14 BUDGET
In 2 years: Pensions > Education

Pension Cost Growth

**GENERAL FUND APPROPRIATIONS**

- **2008**
  - Pensions: 6%
  - All other: 94%

- **2014**
  - Pensions: 19%
  - All other: 81%

[Image of pie charts showing pension and other expenses over two years]
2014 Political Landscape

pol-i-tics

Πολιτικός (politikos) - “relating to citizens”

πόλις (polis) - “city”
Big Changes in a Short Time

2011 Redistricting:
Every Congressional district redrawn
Every State Senate and House district redrawn

2012 Election Cycle:
6 new members of Congress (33%)
16 new members of Illinois Senate (27%)
25 new members of Illinois House (21%)
2014 Political Landscape

• Election of Governor & Constitutional Officers
• Legislative Elections -
  • All (118) members of the House
  • One-third (19) members of the Senate

Impact?
Key 2014 Issues

- Pension Reform
- State Health Insurance Marketplace
- Exclusive Provider Organizations
- Hospital Licensing Fee for quality and patient safety
- Telehealth Reimbursement
- Medicaid Rate Reform
- Medicaid Care Coordination/ACE Solicitation
- 1115 Medicaid Demonstration Waiver
- State Innovation Model Plan
- Hospital Assessment Program - UPL Solution
QUESTIONS?
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Government Relations Update
First Illinois HFMA Fall Summit
Metropolitan Chicago Healthcare Council

- Organized in 1935 as the Chicago Hospital Council
- Group of hospital “superintendents,” who gathered monthly at The Drake Hotel in Chicago
- Today, represents more than 170 health care organizations and all 89 acute care hospitals in metro region
- High quality, accessible health care for all
Member Value

• The Trusted Voice and Resource for Healthcare
  – Advocacy
  – Education
  – Innovative solutions designed to improve the healthcare delivery system and reduce operational costs for members
  • MetroChicago HIE
  • Land of Lincoln Health™
Advocacy Portfolio

- City of Chicago
- County governments
- Other local government entities
- Illinois Congressional Delegation
- Specific state issues:
  - Illinois Poison Center (IPC)
  - MetroChicago Health Information Exchange (MetroChicago HIE)
  - Land of Lincoln Health™ (LLH)
Advocacy Activities

• “Tell Our Story” Campaign
• A variety of county and city ordinances
• Partner with IHA on key initiatives
• Education on all levels to ensure elected officials know what is happening in other units of government
• White Papers, GR Weekly Update Newsletter
• Community Health Needs Assessment (CHNA)
Illinois Poison Center

- 24-hour toll-free hotline cares for nearly 82,000 poison-related cases throughout Illinois annually
- Saved Illinois taxpayers more than $52 million last year
- For every $1 invested in the IPC, there is more than a $13 savings in reduced health care and lost productivity costs
- IPC staff prevented an estimated 35,000 ER visits and saved approximately $14.1 million in Medicaid savings last year alone
- 53,000 calls are triaged by the IPC annually, preventing Illinoisans from calling 9-1-1 first
- A call to the IPC from an ER doctor or nurse can shorten a patient’s admitted length of stay by an average of one to three days
Federal Environment

- Congressional gridlock
- Fractured House GOP caucus
- Grueling debt ceiling/Government funding fight
- Government shut-down/Flawed health insurance marketplace roll-out are key 2014 election issues
Federal Environment

• **Government Shutdown Deal:**
  – Funds federal government and raises debt ceiling through 2/7/14
  
  – Allows Treasury “extraordinary measures” to pay bills if Congress fails to lift debt ceiling
  
  – Creates Bicameral Budget Conference Committee tasked with FFY14 budget recommendations by 12/13/13
  
  – House scheduled to adjourn 12/13/13; Senate has not set specific date
Federal Environment

- Budget Conference Committee formed

- 29 Senators and Representatives; appointed by leadership

- Led by:
  - Senate Budget Committee Chair Patty Murray (D-WA)
  - House Budget Committee Chair Paul Ryan (R-WI)
Federal Environment

• Conference Committee seeks agreement, but parties have different goals:
  – DEM. Ready to make concessions but want changes to tax code to raise revenues
  – GOP. Resistant to increased revenue; looking for “savings”
• Chief negotiators seek accord to stave off sequestration, while building confidence for larger agreement in near future
Meanwhile…

• Physician Payment Fix expires at year’s end
• Appears to be bicameral and bipartisan support for permanent solution
• Congressional Budget Office (CBO) repeal score is at $139.1 billion, down from $243.7 billion
• Hospitals continue to be the target
Proposed Hospital Cuts

• The following proposals to cut hospital reimbursement appear on multiple lists:
  – Medicare/Medicaid Disproportionate Share Hospital (DSH) payments
  – Graduate Medical Education (GME) and Indirect Medical Education (IME) payments
  – Hospital Outpatient Evaluation and Management (E/M) payments
  – Across-the-board cuts to Medicare inpatient hospital rates through the use of coding adjustments
  – Bad Debt payments
  – Medicare Physician Payment Fix cuts
  – Medicaid Provider Assessments restrictions
  – Critical Access Hospital (CAH) payments
Enough is Enough!

Hospitals have faced repeated cuts to payment since 2010

IMPACT OF HOSPITAL CUTS SINCE FY 2010

$250 BILLION

BILLIONS OF DOLLARS

- Bad Debt
- Medicaid DSH
- 3-Day Window
- MS - DRG
- Sequestration
- Affordable Care Act

1 Bad Debt and Medicaid DSH cuts included in Middle Class Tax Relief and Job Creation Act of 2012 and additional DSH cuts for 2022 in the American Taxpayer Relief Act of 2012 (ATRA); 3-day window cut included in American Jobs and Closing Tax Loopholes Act of 2010; estimate of excess CMS MS-DRG coding out based on hospital analysis and includes additional amounts cut in 2014-2017 in the ATRA; sequestration amount estimated from CBO Medicare Baseline. Other provisions of the ATRA including extension of low volume adjustment, extension of Medicare Dependent Hospital Program and the adjustment to payment for certain radiology services net out to zero and are not shown.
E/M Toolkit

• Paying hospitals for E/M services in hospital outpatient departments (HOPDs) at physician fee schedule (PFS) amount

• Paying hospitals 66 specified ambulatory payment classifications (APCs) at PFS amount

• Capping hospital payments for 12 proposed APCs at ambulatory surgery center (ASC) rate
Charitable Community Support

- In 2011, Metropolitan Chicago hospitals alone provided nearly **$4 billion** in charitable contributions to the communities they serve, including:
  - Nearly **$2 billion** to subsidize government-sponsored care provided to Medicare and Medicaid patients
  - Over **$1 billion** in free hospital care which includes charity care and bad debt
  - Nearly **$367 million** on education to train tomorrow’s health care professionals
  - Over **$229.5 million** to subsidize health services in response to community need
  - Nearly **$141 million** in donations, volunteer services and other activities
  - Over **$118 million** on medical research
  - Over **$18.5 million** on language assistance services
Key Federal Bills

• Protecting & Enhancing Reimbursement
  – H.R. 1920/S. 1555; DSH Reduction Relief Act of 2013
  – H.R. 2660; Trauma Relief Access for Universal Medical Assistance Act
  – H.R. 2801/S. 1143; Protecting Access to Rural Therapy Services (PARTS) Act
  – Relief from CMS’ “two-midnight” admission policy

• Supporting Physician Training
  – H.R. 1201/S. 577; Training Tomorrow’s Doctors Today Act
Key Federal Bills

• Reducing Regulatory Burden
  – H.R. 1250/S. 1012; Medicare Audit Improvement Act of 2013
  – H.R. 2931; Fairness in Health Care Claims, Guidance and Investigations Act
QUESTIONS?
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