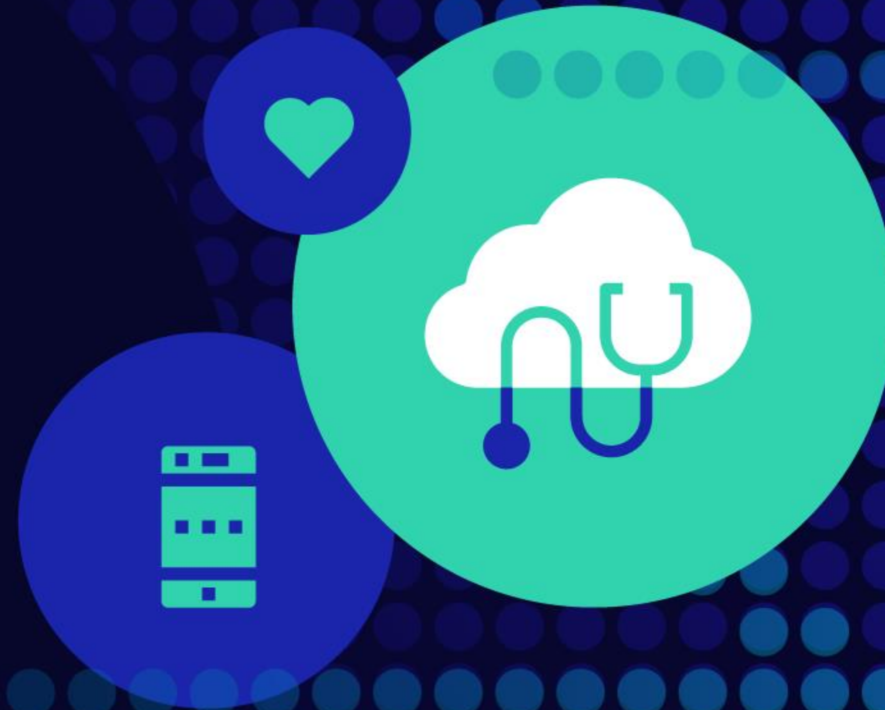
HIMSS NORTH CAROLINA CHAPTER

NCHA Payor Update



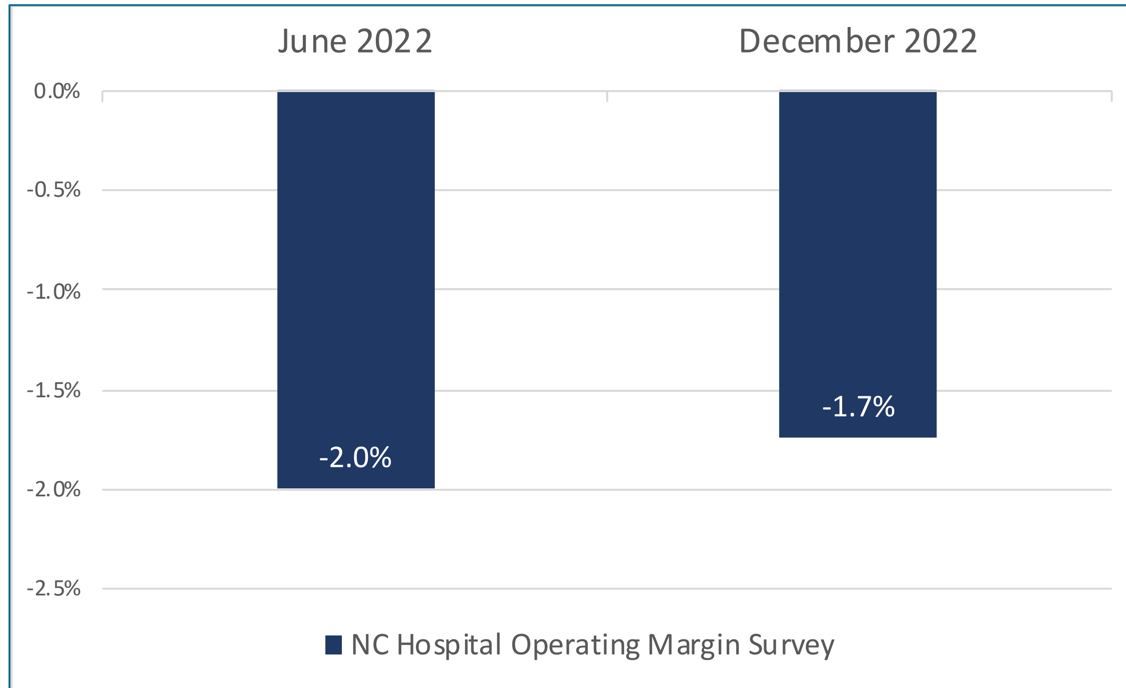
October 2 - 3

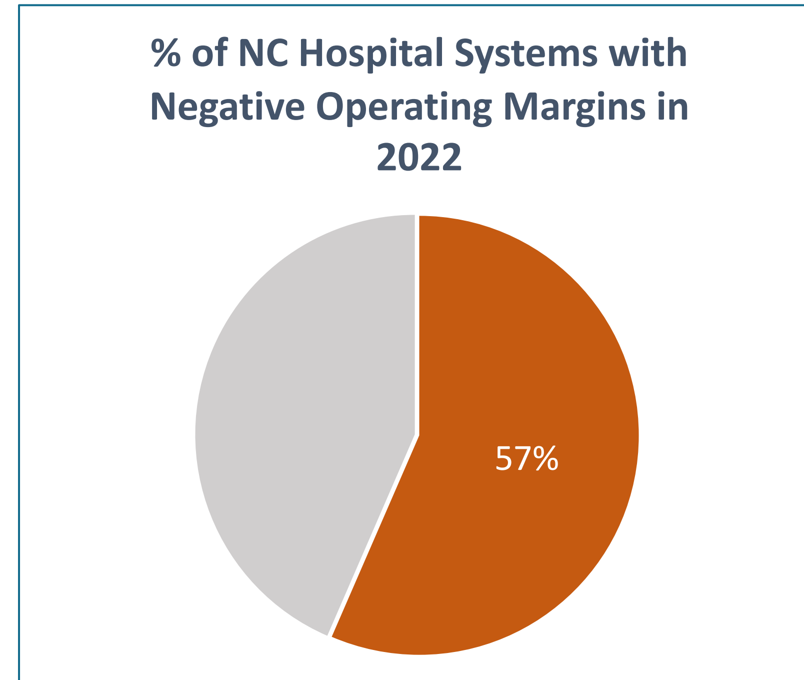
Raleigh, North Carolina

Agenda

- Financial state of NC hospitals
- Dive into House Bill 76
  - Certificate of Need
  - Healthcare Access & Stabilization Program (HASP)
  - Certificate of Need (CON)
- Medicaid and payor landscape
- Wrap up and questions

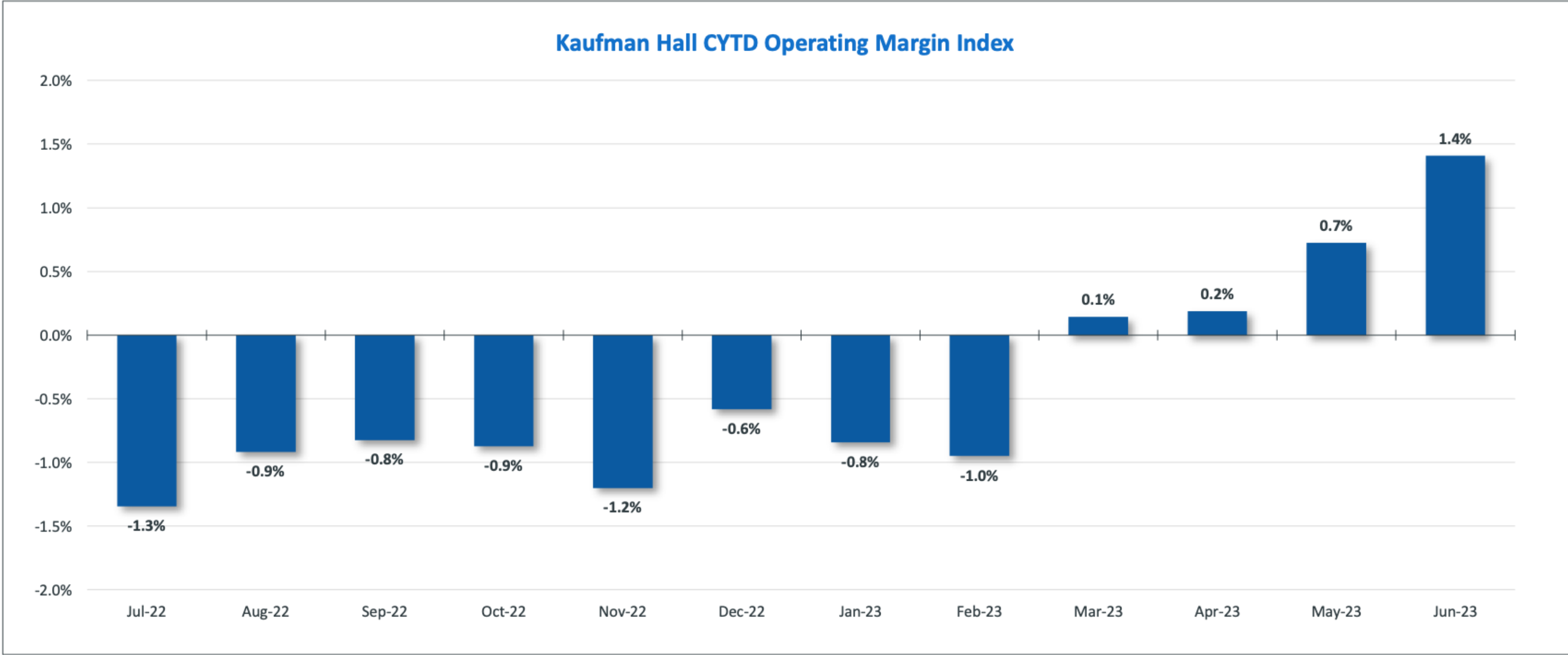
Financial State of NC Hospitals





NC Hospital margins as surveyed for Calendar Year 2022.

Operating Margins on a National Level



Kaufman Hall, National Hospital Flash Report (July 2023)

** Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.*

Based on Kaufman Hall's National Hospital Flash Report published July 2023.
https://www.kaufmanhall.com/sites/default/files/2023-07/KH-NHFR_2023-07.pdf

Financial Lifeline

- House Bill 76 (Session Law 2023-7) passed in spring, 2023.
- Key provisions:
  - Amends Certificate of Need (CON) laws.
  - Provides avenue for Medicaid Expansion.
  - Increases Medicaid Reimbursement through Hospital Access & Stabilization Program (HASP).

Certificate of Need

House Bill 76 Update

Key Elements:

- ASC carveout (No carveout without HASP)
  - Counties >125,000 population
  - 2 year "runway" begins once the first HASP payment is delivered to hospitals
  - 4% Charity care and annual reporting requirements
- MRI Carveout (No carveout without HASP)
  - Counties >125,000 population
  - 3 year "runway" begins once the first HASP payment is delivered to hospitals
- Threshold increase (Indexed to CPI)
  - MRI Diagnostic Centers from $1.5M to $3M begins immediately once H76 is enacted into law
  - Replacement equipment amount $2M to $3M begins immediately once H76 is enacted into law
- Home Health Agency carveout begins immediately once H76 is enacted into law
- Psychiatric and Chemical dependency carveout begins immediately once H76 is enacted into law
- HASP assessment goes into effect immediately once H76 is enacted into law
  - Does not require Expansion
  - Requires CON modifications
- Expansion
  - Goes into effect when the 2023-2024 budget is passed
  - Workplace development program (and work requirement if allowed by CMS in the future)

Medicaid Expansion in NC

Medicaid Expansion in NC

- Medicaid expansion components structured through passage of House Bill 76 – signed March 2023
- **Contingent on passage of Appropriations Act for 2023-2024 SFY**

600,000 North Carolinians

(aged 19 to 64 who have incomes up to 138% of the federal poverty level)

What we know today

Appropriations Act becomes law

?

NC DHHS plan for expansion go live*

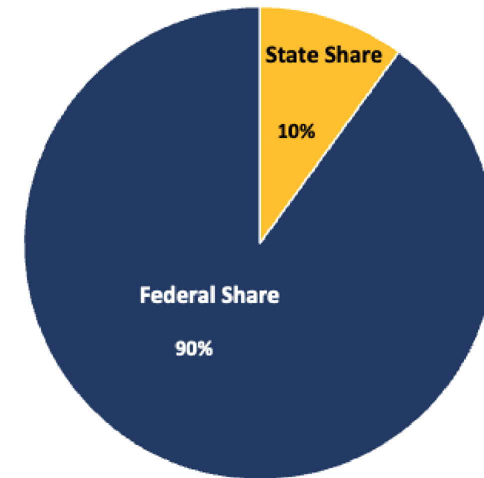
December 1

Anticipated expansion launch process

- Division of Health Benefits (DHB) will auto-enroll some beneficiaries already slated for expansion eligibility
- Counties need to work through applications, eligibility determination and enrollment (phase in)
- Similar to 2021's managed care rollout
  - Slower eligibility enrollment and assignment of PHPs

Medicaid Expansion – House Bill 76

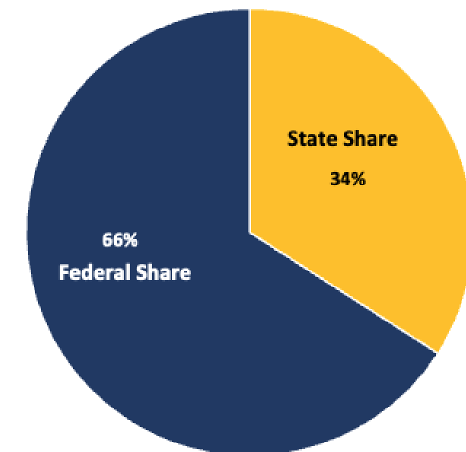
- Non-Federal Share funded by NC hospitals*
  - Affordable Care Act (ACA) provides 90% match for expansion population
  - NC hospitals provide the remaining 10%
    - ~$550 million annually



* State-owned hospitals (DSOHF) and critical access hospitals (CAH) do not provide assessments.

Medicaid Expansion – State Share Savings

- The American Rescue Plan Act of 2021 (ARPA) provides a 5 percent point increase in regular FMAP for 2 years
  - NC would pick up the 5% FMAP point increase once expansion goes live
  - Helps on current traditional Medicaid and HASP
  - 2-year savings ($250M)



$FMAP = Federal\ medical\ assistance\ percentage$

Medicaid Expansion – Hospital Assessments/IGTs

- Hospitals "front loading" expansion costs
- NCHA contribution in legislative language process:
  - Reconciliation
  - Premium tax offset
- NCHA negotiated on funding for expansion (18 months of negotiations)
- NCHA contribution to legislative language process (saved $110M annually)

Healthcare Access and Stabilization Program

- HASP

HASP Parameters

- Applies to Medicaid **Managed Care**
- Must be **in-network** with a particular PHP to receive HASP payment from an individual PHP
  - Does not apply to any out of network claims with an individual PHP
- Applies to only **paid claims** with a service date in that SFY
  - Does not apply to denied or pended claims

What if my hospital is not in-network with a PHP in a given SFY?

- Hospital **becomes in-network** with PHP(s) during SFY.
    - Hospital will receive HASP on the paid claims with that service date on or after the effective date of the in-network contract.
- Hospital **goes out-of-network** with PHP(s) during SFY.
    - Hospital will receive HASP payment on paid hospital claims for that time of year it was in network (i.e. for claims with service dates while in network).

HASP

- Retro HASP (SFY 23)
  - Dates of Service: July 1, 2022 – June 30, 2023
  - Preprint under review with CMS.
  - Anticipating lump-sum interim payment in Q4 2023
- Revenue estimates:
  - 151% of inpatient payments
  - 111% of outpatient payments
- Attestation requirement

Anticipated process – Initial HASP payment

Q4 2023	3-5 weeks after assessment	5 business days	January 2024
Utilization estimate based on SFY 2022 encounter data	HASP payments to PHPs	PHPs payment to hospitals	Reconciliation to actual utilization for SFY 2023 encounter data
Non-federal share (hospital assessment/IGT)			Recoupment for overpayment, recovery for underpayment
			Non-federal share assessment/IGT for actual SFY 2023 HASP value

Future HASP (SFY 2024)

- SFY 2024 Future HASP
  - Service dates: 7/1/2023 to 6/30/2024
  - Preprint to be submitted shortly after approval of initial HASP
- Transaction timing
  - If approved in late fall of 2023, transactions likely occur early 2024.
  - Transactions may take place quarterly or interim lumpsum with reconciliation after claim runout
- Expansion population

HASP - Continued

- Retro HASP
  - Increased Reimbursements ~$2.7B
  - Non-federal funding/taxes ~($800M)
  - Net benefit $1.9B

- Future HASP
  - Increased Reimbursements ~$3.2B
  - Non-federal funding/taxes ~($950M)
  - Net benefit $2.2B

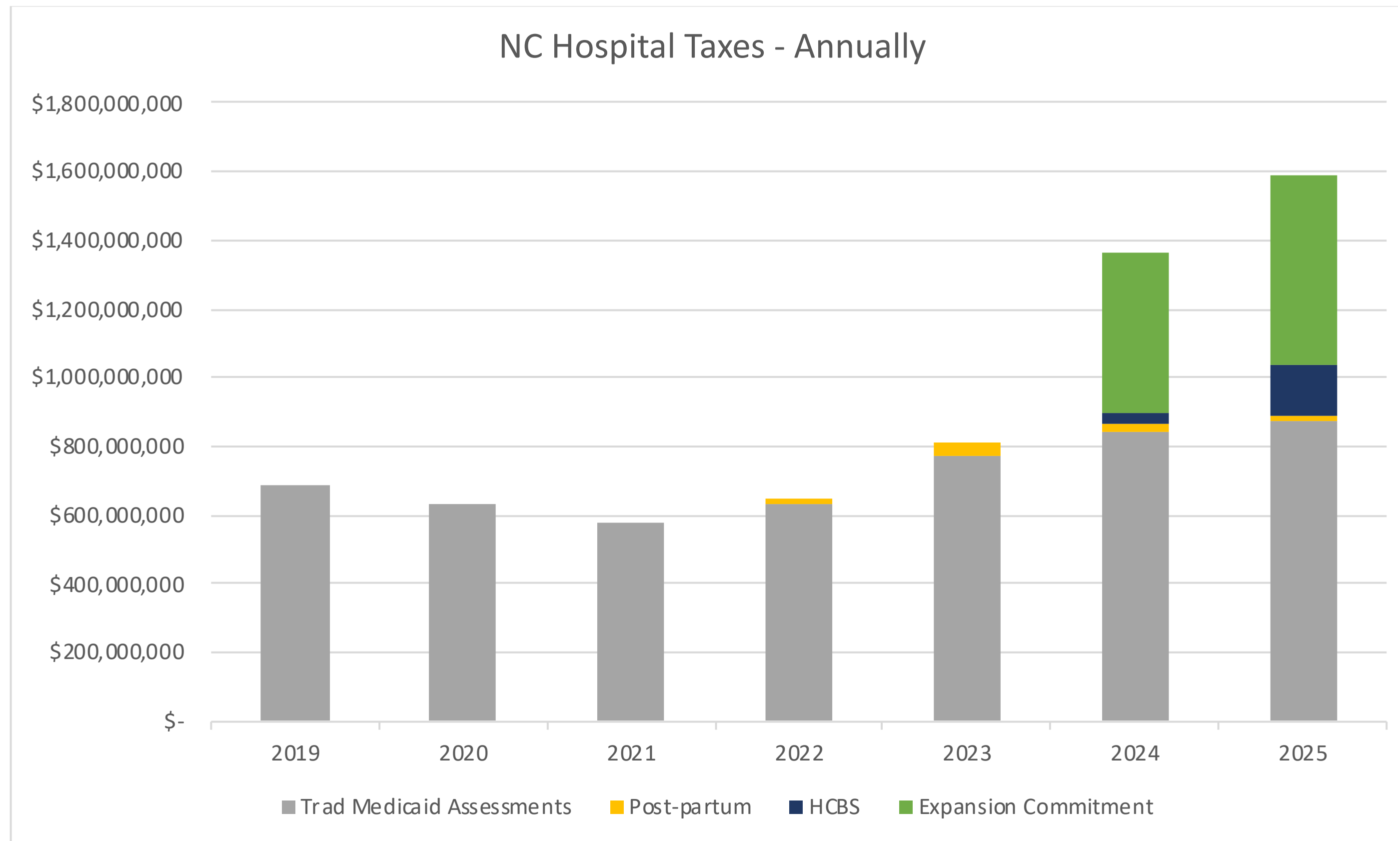
HASP Impacts – Medicaid DSH

- Medicaid DSH payments
  - Hospitals will likely reach the hospital specific limit for DSH

NC Hospitals will likely forgo DSH funds in future years due to increased payments for Medicaid through HASP.

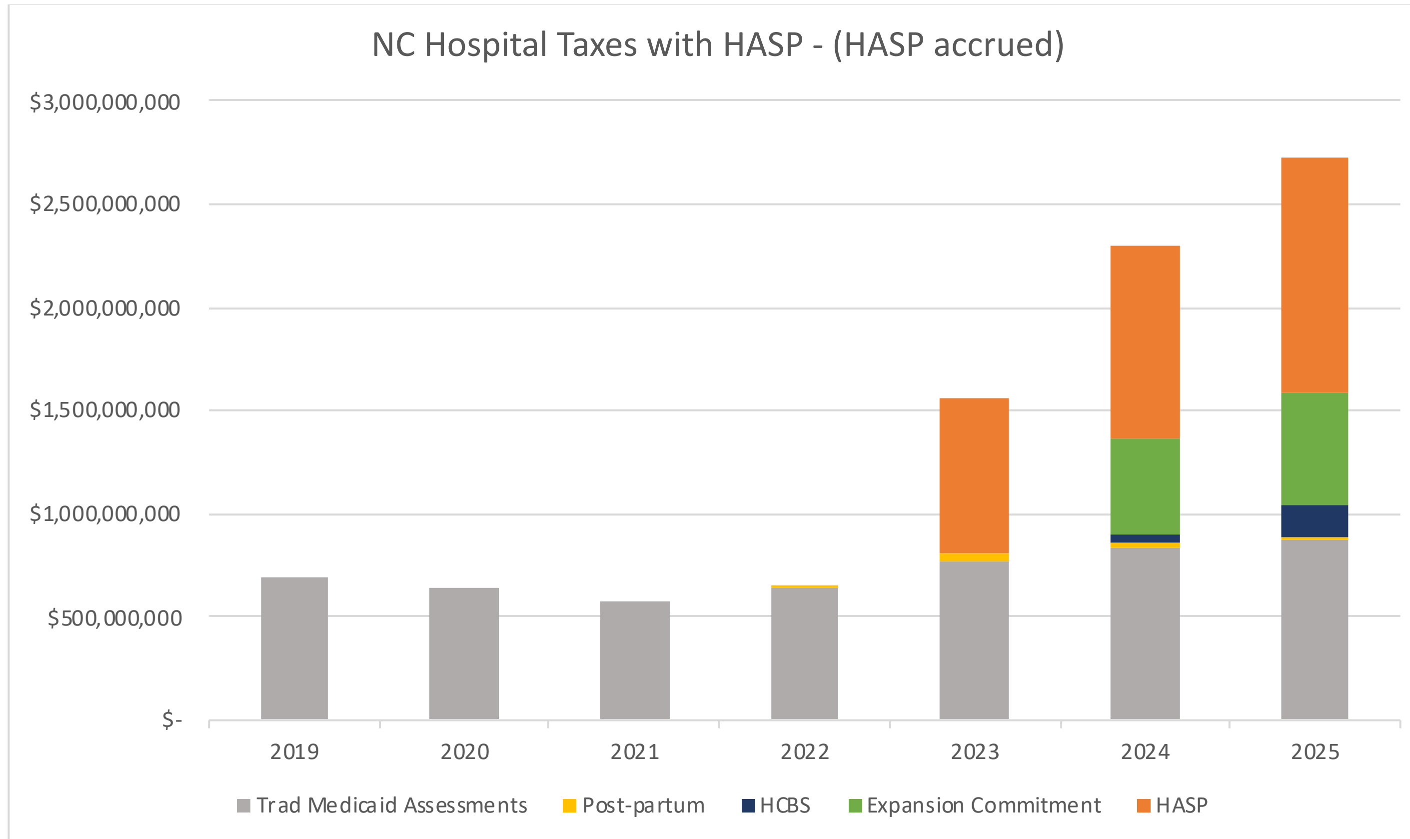
Cumulative Financial Impacts (Expansion & HASP)

Hospital Funding - Projected



- Medicaid base assessments/IGTs (~$850M)
- Home and Community-based Services (~$145M)
- Expansion non-federal share (~$550M)

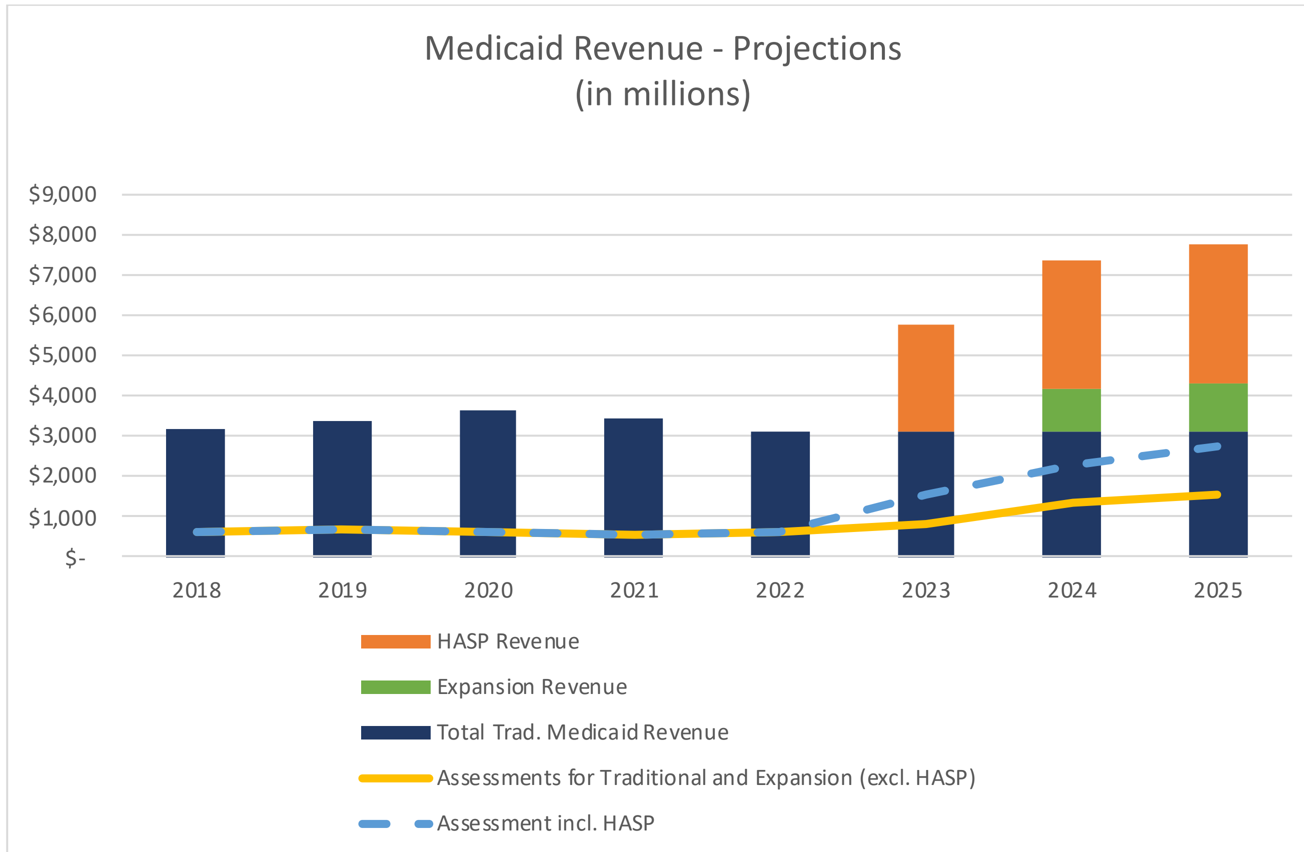
Hospital Funding – Projected with HASP



Same graph as prior slide but includes HASP assessments

- HASP Assessments/IGTs (SFY accrued)
  - SFY 2023
    - (~$750M)
  - SFY 2024
    - (~$940M)

Revenue Projections – with HASP



- HASP is critical
  - Expansion tax
  - Additional taxes placed on hospitals (HCBS)
  - Increased PHP denials through managed care
  - Rate floors expire mid 2024 (2026 for rural hospitals)

Payor Landscape

- Medicaid and other payors

Patient Financial Services will be critical

- Advocacy work towards expansion and HASP are only beneficial if claims are paid
- Increases the value/missed opportunity of a denied claim for Medicaid

NC Medicaid – NCHA Involvement

- NCHA-member led committees to review issues arising in patient financial services and clinical coverage
- Bi-weekly meetings with Department of Health Benefits (DHB)
- Monthly meetings with North Carolina Association of Health Plans (NCAHP)
- Individual meetings with prepaid health plans (PHPs)

NCHA Focus

Unnecessary denials

Reducing administrative burden

PHP oversight

NCHA Success/Wins

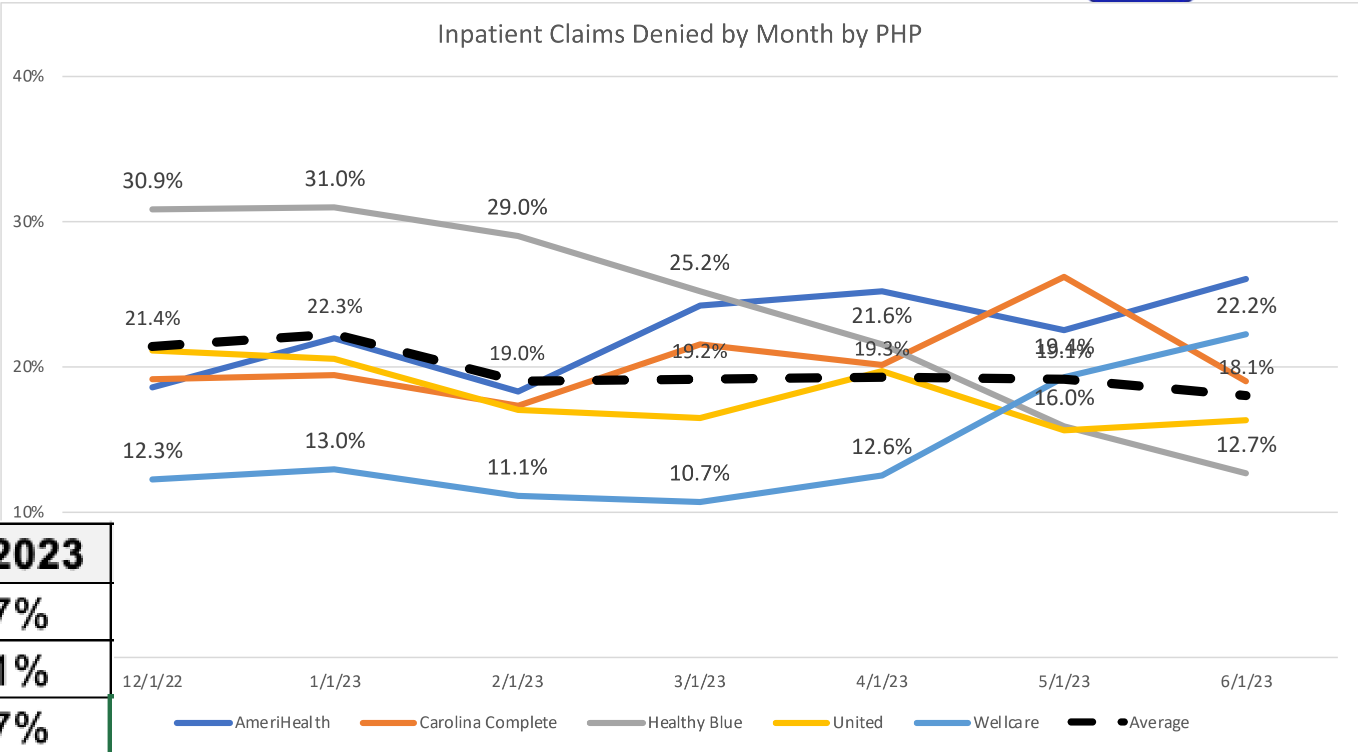
- Non-normal newborn claims paid (2021 to 2023)
- Managed Care Billing Guide
- Itemized Bill dollar thresholds
- Adjudicating claims based on codes submitted
  - Eliminating instances of down coding
- Corrections to inapplicable policy changes by PHPs

Current Issues

- 30-hour outpatient observation “donut-hole”
- ICD-10 code changes and DHB encounter edits
- Increased medical record requests
  - Itemized bills components
- It’s not just denials but also delayed payments
  - PHP adherence to prompt pay and good faith denial reasons

Medicaid Managed Care Denial Rates

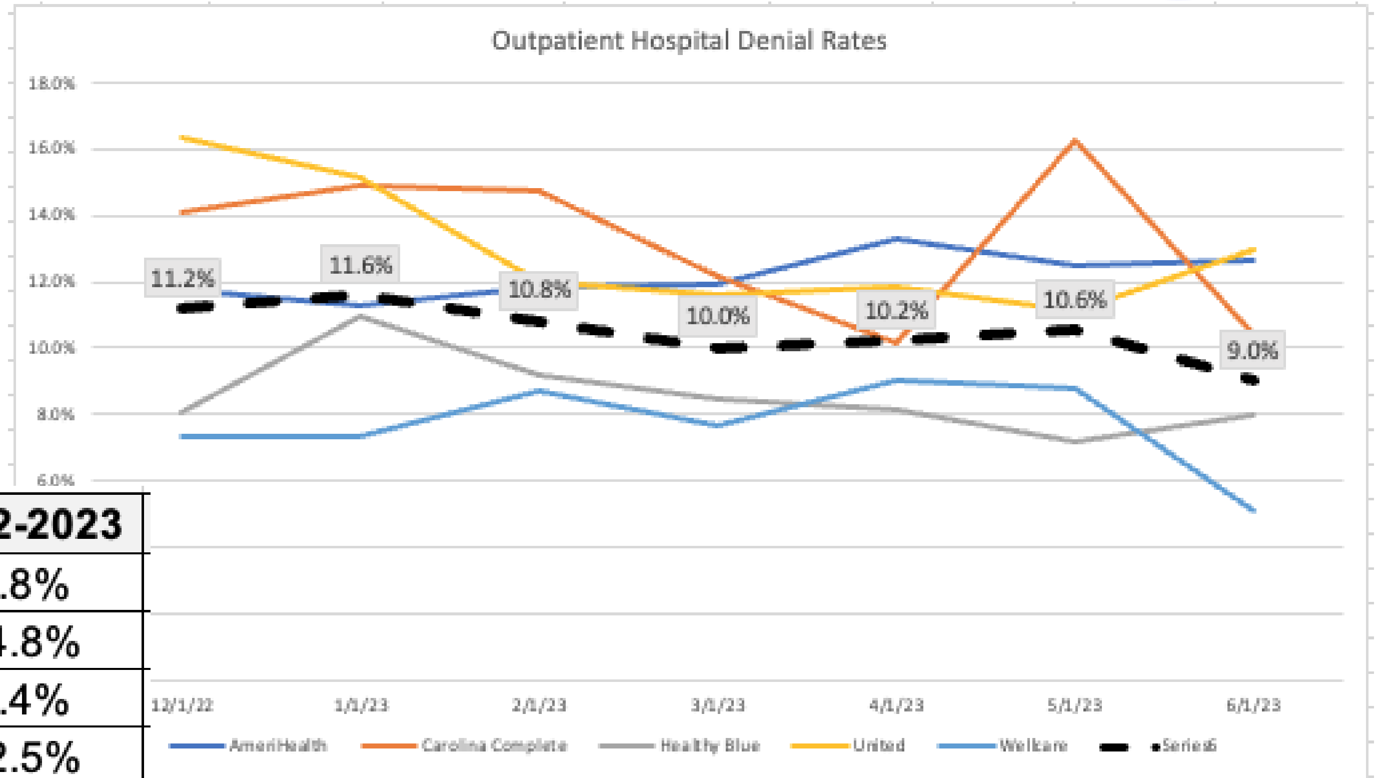
- Inpatient



IP Denial Rates by PHP	SFY 2022	SFY 2023
Amerihealth	18.9%	23.7%
CCH	24.0%	20.1%
Healthy Blue	23.6%	25.7%
UHC	18.7%	18.2%
Wellcare	18.1%	14.4%
Aggregated Average	**20.4%**	**20.5%**

Medicaid Managed Care Denial Rates

- Outpatient



OP Denial Rates by PHP	2021-2022	2022-2023
Amerihealth	13.8%	8.8%
CCH	14.9%	14.8%
Healthy Blue	11.0%	9.4%
UHC	18.4%	12.5%
Wellcare	13.6%	7.3%
Aggregated Average	**14.1%**	**11.1%**

Medicare and Federal Policy

	U.S. (Medicare FFS)	North Carolina (Medicare FFS)
Remedy Repayment (CY 2024)	$ 9,002,683,300	$ 471,296,300
Rate Reduction (CY 2024)	$ (334,997,200)	$ (10,484,400)
Rate Reduction (CY 2025-2040)	$ (7,799,999,500)	$ (244,113,400)
Net Impact of Proposed Changes	$ 1,202,683,800	$ 227,182,900

- 340B Remedy Proposal
  - Lumpsum remedy to 340B hospitals (difference between decreased payments received and ASP +6% that should have been received)
  - Payment Reduction Offset (Budget Neutrality) – 16-year payback
- NC Impact (Fee for Service)
  - 58 NC hospitals are estimated to be negatively impacted

Commercial

- NCHA working on global process issues with commercial payors
- Areas of focus:
  - Archaic processes - rejection letter mailbacks
  - Delayed provider credentialing and enrollment
  - Medical review backlogs

Thank you

- Questions and Wrap Up

Additional questions? Reach out to:

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