SNAP

SNAPSHOTS

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News and Views from the Safety-Net Association of Pennsylvania

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DPW Undertakes Post-Budget Work

While the passage of Pennsylvania's controversial Medical Assistance budget in early July marked the end of six months of intensive effort by SNAP and the hospital industry to prevent what would have been hospital-crushing cuts, it also marked the beginning of a new round of work necessary to implement that budget.

So far, the Department of Public Welfare (DPW) has published regulations to implement many of the Medical Assistance program changes. DPW also has put the new benefits limits and co-payments into place for the fee-for-service program, established a process for seeking exceptions to the new limits, and set aside funds to pay for some exceptions to those new limits. Despite the availability of these additional funds, it is unlikely that DPW will pay hospitals for all or even most medically necessary services beyond the new limits.

Hospitals also still await word from the HealthChoices managed care organizations (MCOs) regarding whether they intend to implement the new benefits limits that have taken effect in the fee-for-service program; this is optional for them. If the MCOs decide to implement these limits, they must establish their own exceptions processes. They also are authorized to collect co-payments from their members. It appears that each MCO is charting its own course and there will not be a single, industry-wide approach. The MCOs have submitted their plans to DPW, but DPW has no timetable for completing its evaluation of those plans.

Finally, DPW has set aside approximately $10 million to help the hospitals that will be hurt most by the reduction in benefits for General Assistance recipients. SNAP is deeply involved in talks with DPW and industry representatives to determine how to distribute this money. SNAP's objective is to ensure that these funds reach the safety-net hospitals that play the greatest role in caring for the General Assistance population. ■

Rate Negotiations Between DPW and Hospital Industry Start, Then Slow

Medical Assistance rate negotiations between the state and the hospital industry began shortly after the budget passed but have stalled. The next negotiating session is scheduled for October 26. SNAP is a major participant in these talks.

Fee-for-service inpatient rates will increase two percent on January 1, 2006. The Medical Assistance budget also includes sufficient funds to pay for a 3.5 percent increase in inpatient disproportionate share (DSH), outpatient DSH, and medical education payments as of January 1, but actual inpatient DSH and medical education payment increases will be tied to a new hospital quality pilot program for inpatient DSH hospitals only that is currently being negotiated between DPW and industry representatives, including SNAP.

The list of hospitals that qualify for inpatient DSH payments could change, too, because DPW wants to change the criteria for qualifying for DSH. Under the scenario envisioned by DPW officials, some current DSH recipients would lose DSH eligibility. SNAP is attempting to rally legislative leaders to oppose DPW's plan based on SNAP's belief that such a change was not part of the understanding reached between the governor's office and General Assembly when the budget compromise was reached. ■

DPW Contemplating Medical Assistance Changes

DPW officials are working on several new policies that will affect future Medical Assistance payments to hospitals.

First, DPW is planning to implement a new, severity-based DRG system to replace its current DRG system, which is more than 20 years old. The new system, which SNAP has advocated since its founding in 2002, will more accurately capture the severity of illness of patients and pay providers more precisely for the services they deliver to Medical Assistance patients. Implementation is expected in July of 2006.

DPW also is revising its outlier policy and is considering whether to rebase its hospital-specific rates.

DPW officials also have indicated that they would like to develop a new methodology for calculating DSH and other supplemental payments. SNAP is very involved in these talks and is modeling several approaches that would benefit its members.

DPW officials are expected to meet with hospital industry representatives, including SNAP staff, sometime in October to continue talks on these important issues. ■

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Governor to Hold Medical Assistance "Listening Sessions"

The Rendell administration is holding eight Medicaid "listening sessions" throughout the commonwealth at which individuals, providers, and industry groups are invited to offer their solutions to the short- and long-term challenges that currently confront the Medical Assistance program.

Among the state officials who will attend these sessions are DPW Secretary Estelle Richman; Budget Secretary Michael Masch; and Policy Secretary Donna Cooper.

The hearings began in Pittsburgh on September 23 and will make stops in Scranton, State College, Somerset, Erie, Harrisburg, and Philadelphia before ending on November 3 in Allentown.

The need for key Medical Assistance officials to attend these hearings is expected to slow completion of the post-budget policy work that remains undone – as will the resignation, effective October 7, of DPW Deputy Secretary David Feinberg, who headed the Office of Medical Assistance Programs.

SNAP intends to offer written testimony and will seek an opportunity to speak at one of the hearings.

The primary thrust of SNAP's testimony will be that unlike in so many other states, which have public hospitals, Pennsylvania relies on private hospitals to provide a health care safety net for its low-income residents. These private hospitals are large and small, non-profit and for-profit, teaching and non-teaching, and urban, suburban, and rural. They are not always easy to recognize because they are the same hospitals that all of us use, but invisibly to many of us, they are a critical part of the state's health care safety net and Medical Assistance is a key part of their overall financial picture. For this reason, these hospitals need the state to pay its fair share of the cost of caring for Medical Assistance recipients – not the 75 percent of its share that it currently pays. These hospitals are the state's partner in caring for low-income Pennsylvanians and should be treated like partners. SNAP also will point out that the association has offered very specific recommendations for change to DPW officials and that those recommendations have been the subject of talks between DPW and the hospital industry for more than a year.

SNAP's testimony will be available on the association's web site at www.pasafetynet.org. ■

New Federal Reporting Requirements?

To fulfill a mandate in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the Centers for Medicare & Medicaid Services (CMS) has proposed a regulation that would require states to provide extensive data about their Medicaid programs and hospitals that receive Medicaid DSH payments.

Among the figures that states would be required to report annually are individual DSH hospitals' Medicaid inpatient utilization rates; DSH payments; Medicaid fee-for-service and managed care revenue (separately); supplemental and enhanced Medicaid payments; revenue from uninsured patients; the total cost for serving Medicaid patients and for serving the uninsured (separate amounts); uncompensated care costs; and the total number of unduplicated Medicaid recipients and uninsured patients served annually.

Because the purpose of the data-gathering requirement in the 2003 law is to ensure that Medicaid DSH payments to hospitals are appropriate, it is not clear why CMS wants or needs some of this information. SNAP is concerned that CMS may try to use it to take back some DSH funds already paid to hospitals.

SNAP intends to submit formal comments to CMS expressing concern about the new requirements and their implications for Pennsylvania safety-net hospitals. ■

New Web Site

SNAP has completely revamped its web site. In addition to a new design, the site now features more content about SNAP, its mission, its activities, and its positions on crucial health care issues. Please visit the site at www.pasafetynet.org and let us know what you think! ■

What is SNAP?

The Safety-Net Association of Pennsylvania represents the interests of private, acute-care hospitals that play the leading role in caring for the poor, the disadvantaged, and the uninsured residents of the commonwealth. Safety-net hospitals are the twenty-five percent of hospitals in Pennsylvania that care for the highest combined proportion of uninsured patients, Medical Assistance recipients, and Medicare SSI recipients and that therefore constitute the state's health care safety net. As a result of the patients they serve, safety-net hospitals face a significant, continuing, disproportionate challenge to their financial health.

For further information about the Safety-Net Association of Pennsylvania or any of the information or views offered in SNAPshots, please contact Charles DeBrunner, president, at 717-234-6970.