

Health Care Issues Facing the MN Legislature in 2010



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2010 MN legislative session preview:

- GAMC
- State budget
- Potential proposals relating to 2008 health care reform legislation

GAMC

- Provides health insurance for poorest Minnesotans
 - Covers approximately 35,000 people at any given time
 - All earn less than \$8,000 per year; most earn less than \$2,500 per year
 - Many enrollees are medically vulnerable
- GAMC scheduled for April 2010 elimination
 - 2009 veto and unallotment
 - 1 month extension recently announced
- At least a \$157 million impact on hospitals

Concerns with transfer from GAMC to MinnesotaCare

- Loss of retroactive coverage to first service
- Re-enrollment requirements
- Waiting period
- Premiums & co-pays
- Health Care Access Fund solvency
 - Impact on general fund
 - Potential unenrollment of childless adults
- \$10,000 inpatient cap

MHA's GAMC Advocacy Strategy: MHA will support . . .

- GAMC as stand-alone program, with modifications, funded in part by HCAF
- Temporary tiered cuts to GAMC rates
- Financial commitment from counties for GAMC
- Enrolling all eligible residents into Medicaid as soon as federal reform allows
- Temporary increases of hospital & HMO surcharges
- Temporary increase of MA rates to leverage federal funding & mitigate net impact of MA surcharge and GAMC reform

GAMC legislation in play

- Raise MA surcharge on hospitals (\$190 million) to leverage federal funding
 - \$95 million to GAMC fund
 - \$95 million to hospital MA rates which receive \$95 million federal match
 - Surcharge and reimbursement increases do not offset one another for all hospitals
- Tiered cuts to GAMC rates for all providers
- Raise MA surcharge on HMOs to leverage federal funding

Senate File 2168

- Significantly amended before passing 45-20 off Senate floor on party line vote
- Eliminated Medicaid surcharge and rate increases
- GAMC financed for next 16 months
 - \$159 million from general fund required to be transferred to Health Care Access Fund
 - Delay 2011 rebasing of hospital's Medicaid rates
 - Approximately \$19 million in cuts to counties
 - Reimbursement rates to all providers cut in half for the next four months

Senate File 2168

- Reimbursement rate changes after first four months
 - 70% for inpatient services at large-volume GAMC providers (patient mix >\$1 million or >1% of facility's net revenues)
 - 40% for inpatient services for all other facilities
 - 50% for all other services, including hospitals' outpatient services

GAMC Key Messages

- Ensuring GAMC coverage for poorest Minnesotans is the right thing to do
- A temporary solution that doesn't raise taxes is available through a combination of
 - Increased hospital & HMO surcharges,
 - Federal matching funds of increased Medicaid rates, and
 - Tiered cuts to GAMC provider payments
- Proposed solution has broad support, despite significant costs for hospitals & health systems

The 2010-11 State Budget

- \$1.2 billion shortfall in 2010-11 budget (if unallotment survives court challenge)
- MHA's budget priorities
 - Oppose cuts that increase the number of uninsured residents
 - Work to protect federal matching funds
 - Support spreading cuts more evenly across all state programs
 - Support raising revenues

Unfinished business looms large: Feb. 2009 Forecast = \$6.4 billion shortfall

Deficit solution from 2009 session:
Delay tough decisions

- 41% (\$2.6 billion) from temporary federal stimulus funds (\$1.8 billion was new FMAP);
- 42% (\$2.7 billion) from unallotments;
- 6% from GAMC line-item veto;
- 11% from revenue and spending changes.

Nov. 2009 budget forecast

- Lower revenue forecast results in budget deficit for current biennium
 - FY 2009 closing -\$ 0.9 billion
 - Lower revenue -\$ 1.1 billion
 - **Forecast deficit -\$ 1.2 Billion**
- \$1.2 billion shortfall (3.7%) needs to be resolved during 2010 session
- \$5.4 billion shortfall projected for next biennium
 - Assumes no restoration of GAMC
 - Assumes no inflation

Myth: Health & Human Services spending is gobbling up state budget

- H&HS spending = 29% of the state budget (consistent over time)
 - Proportionate cut for H&HS = \$360 million
 - Hospital spending = only 15% of H&HS budget
 - \$256 million already cut from hospitals since 2008

Health care already took disproportionate cuts in 2008 and 2009 budget actions

Health care reform legislation

- Keep current law that ensures a statewide, uniform set of quality measures for providers
- Modify law to allow the state to display health care cost and quality scores in more consumer-friendly manner than aggregated, composite scores
- Extend implementation timelines if necessary to give state adequate time to fully develop new nation-leading transparency efforts



Questions & Discussion