



# NCHA Payor Update

## ▶ NCHFMA 2023 Summer Conference

Presentation by:

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Date: August 24, 2023

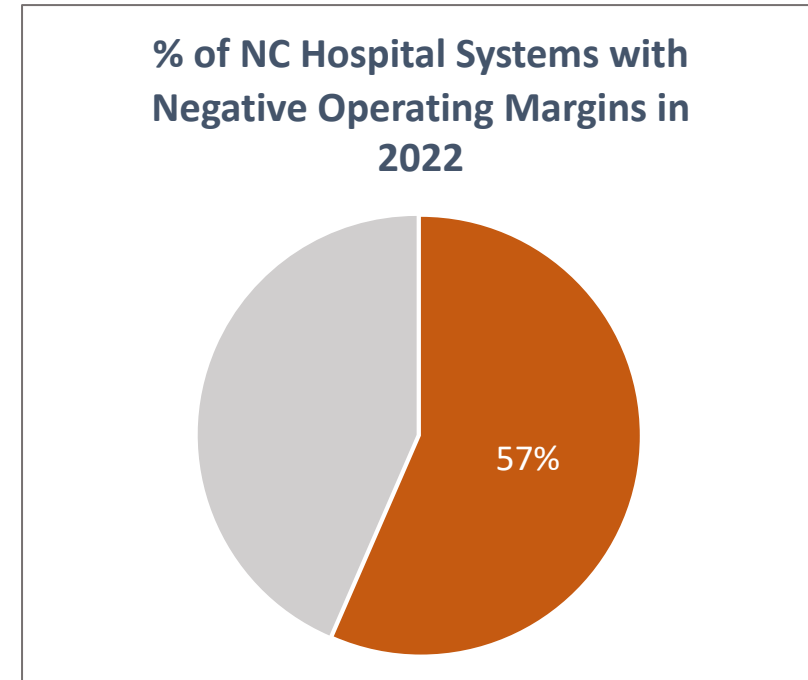
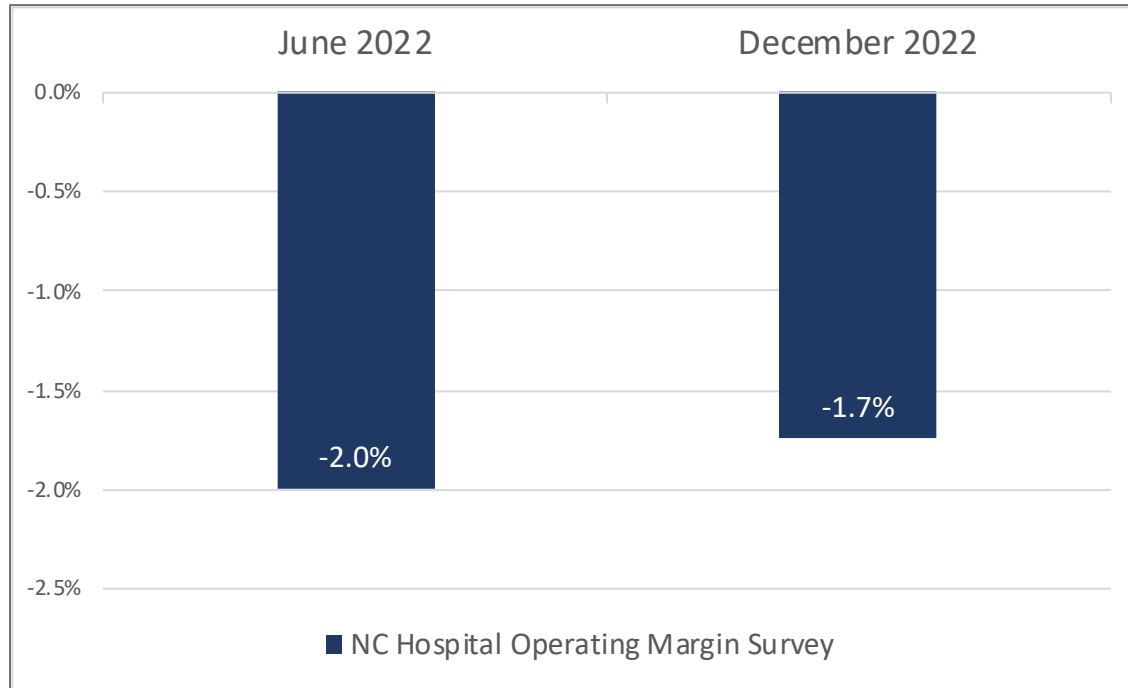
**Uniting hospitals, health systems and care providers for healthier communities**

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# Agenda

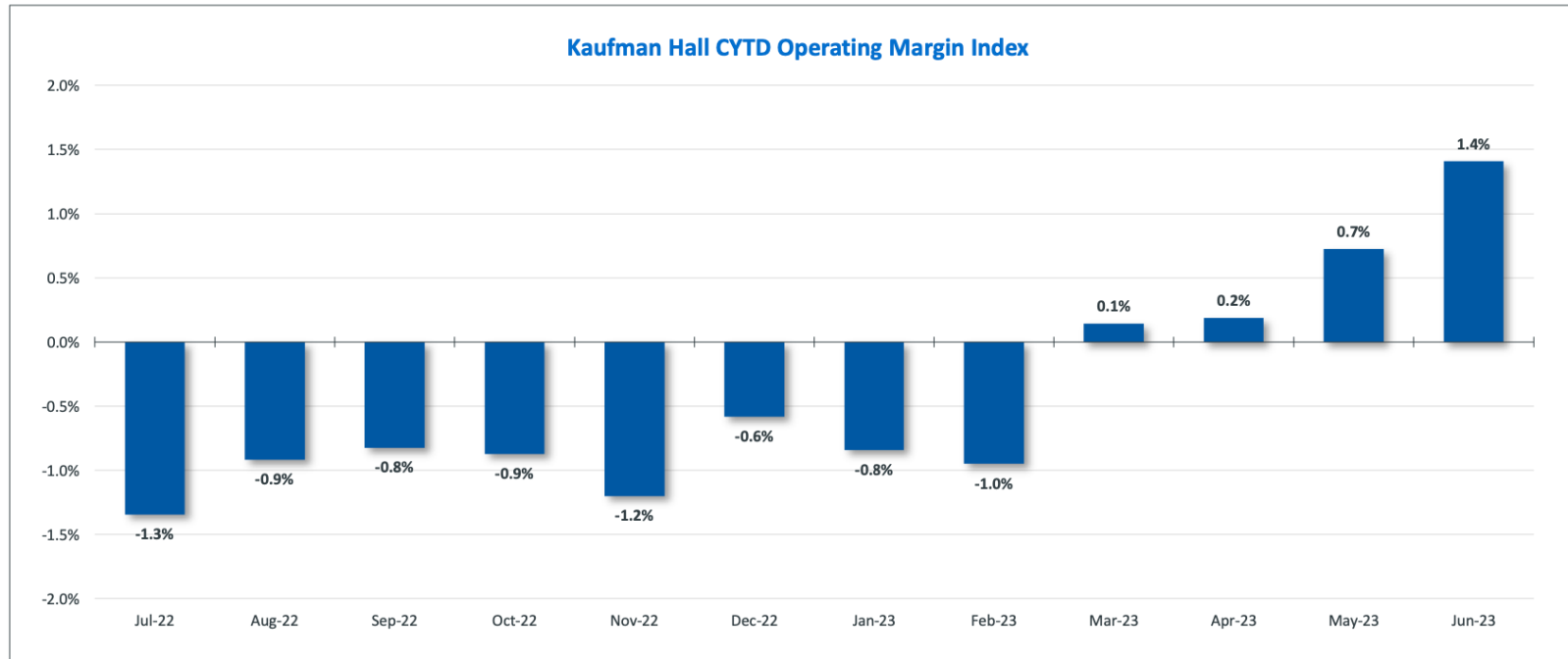
- ▶ Financial state of NC hospitals
- ▶ Medicaid expansion
- ▶ HASP
- ▶ Medicaid and payor landscape
- ▶ Wrap up and questions

# 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](https://www.kaufmanhall.com/sites/default/files/2023-07/KH-NHFR_2023-07.pdf)

# Hospitals Need a Lifeline

- ▶ Medicaid Expansion
- ▶ 2023 HASP and advocating for future years
- ▶ PHP accountability

# HASP

## ▶ Retro HASP (SFY 23)

- Dates of Service: July 1, 2022 – June 30, 2023
- Preprint under review with CMS
- Anticipating lumpsum interim payment September to October 2023

# 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



# 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\*

October 1

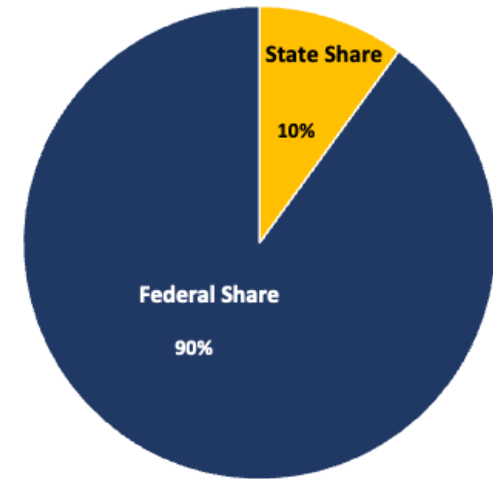
\*If budget is not enacted or expansion is not “de-coupled” from state budget by Sept. 1, DHB will announce December 1 launch date.

# Anticipated expansion launch process

- ▶ 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%



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

# Medicaid Expansion – State Share Savings

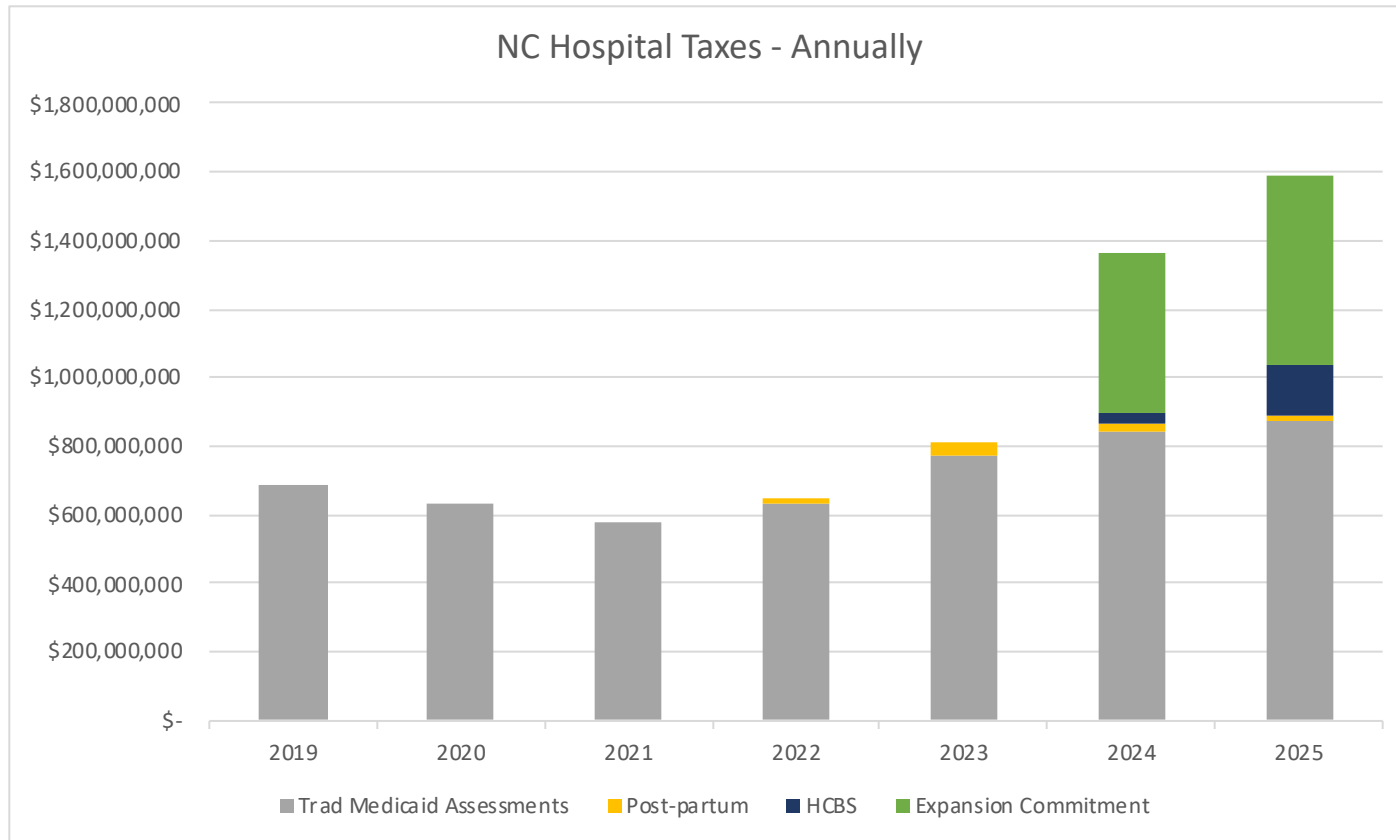
- ▶ The American Rescue Plan Act of 2021 (ARPA) provides a 5 percent point increase in regular FMAP for 2 years
  - FFY 2024 FMAP = 65.91%
  - NC would pick up the 5% FMAP point increase once expansion goes live
  - Helps on current traditional Medicaid and HASP
  - 2-year savings (\$250M)

*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)

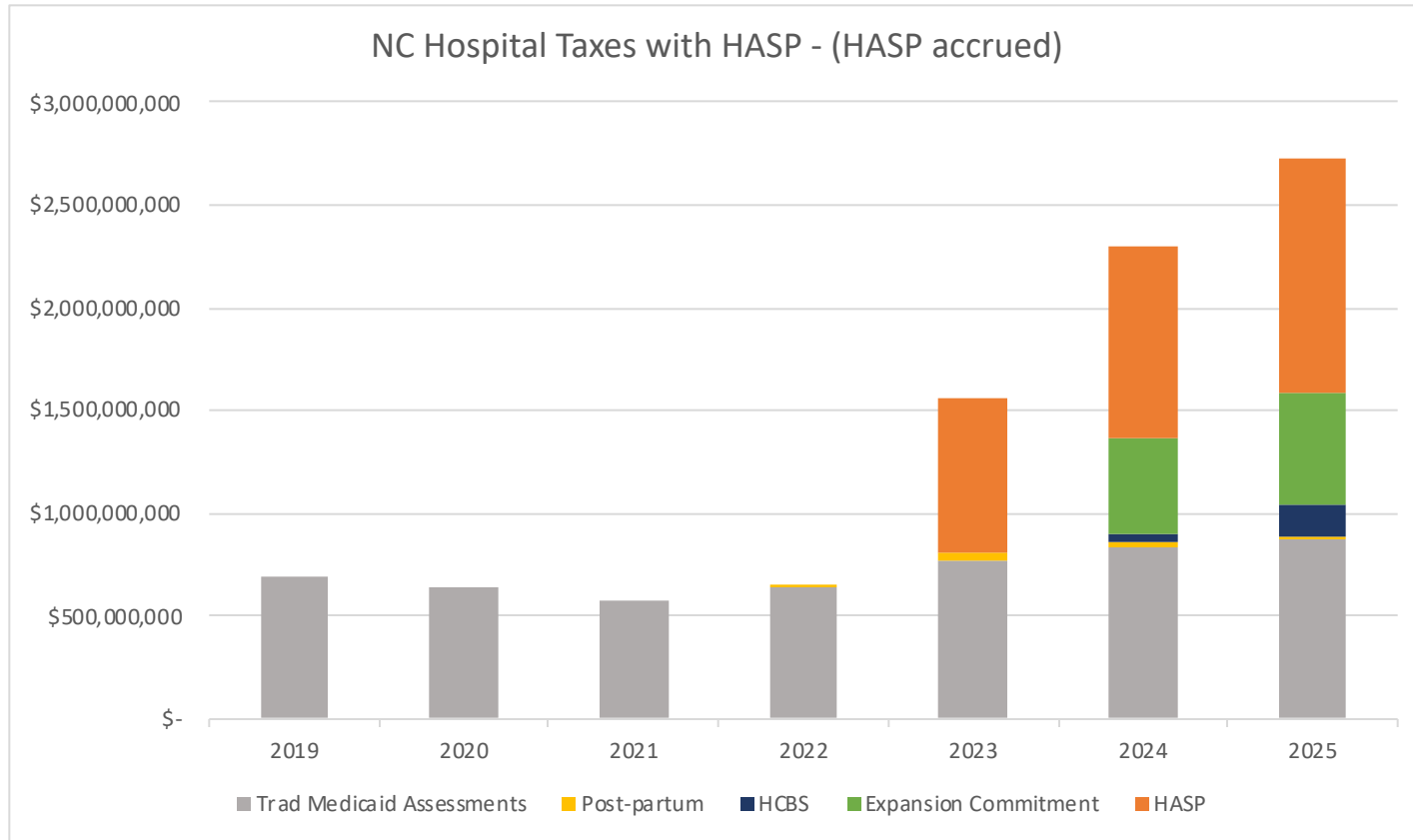
# Hospital Funding - Projected



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



# Hospital Funding – Projected with HASP

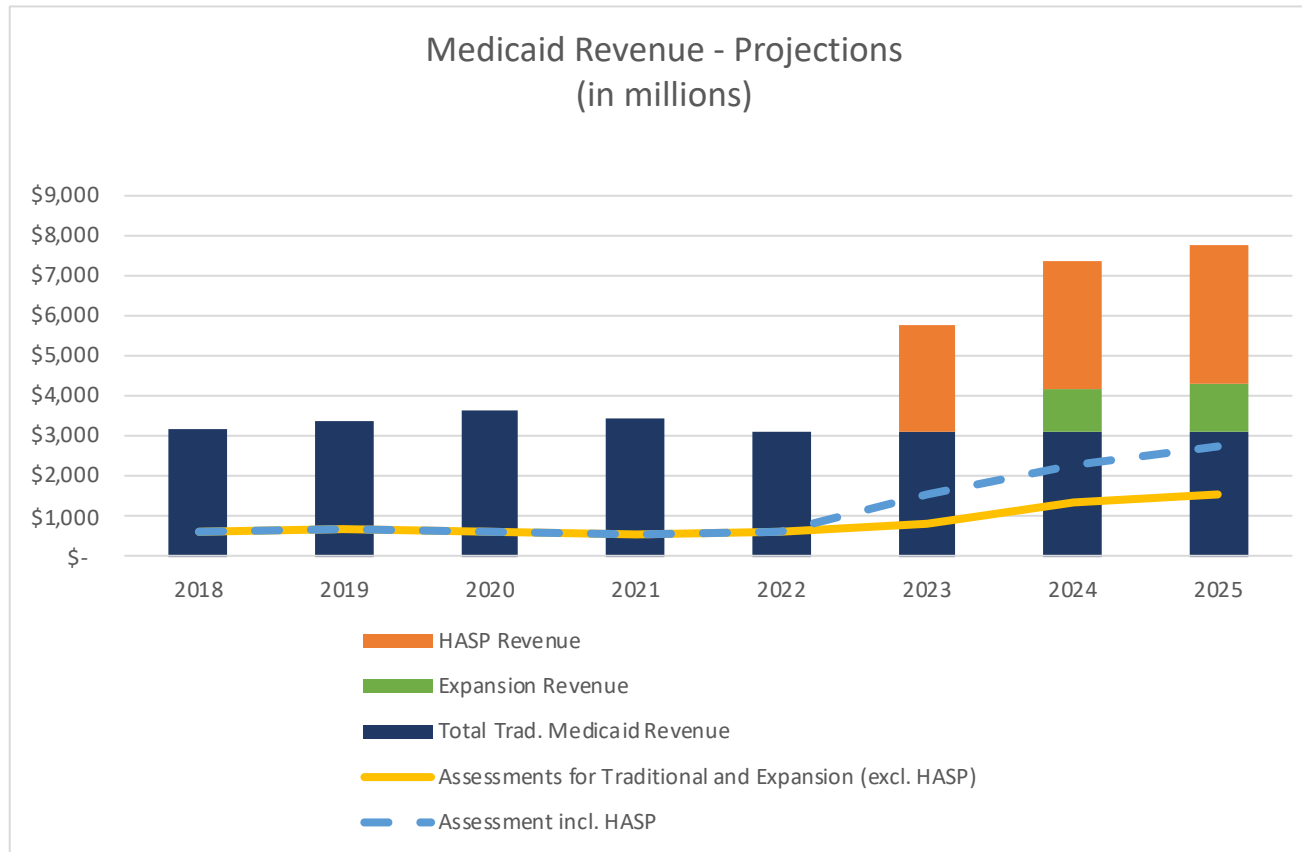


Same graph as prior slide but includes HASP assessments

▶ 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)

# Healthcare Access and Stabilization Program

## ▶ HASP

# What we know today

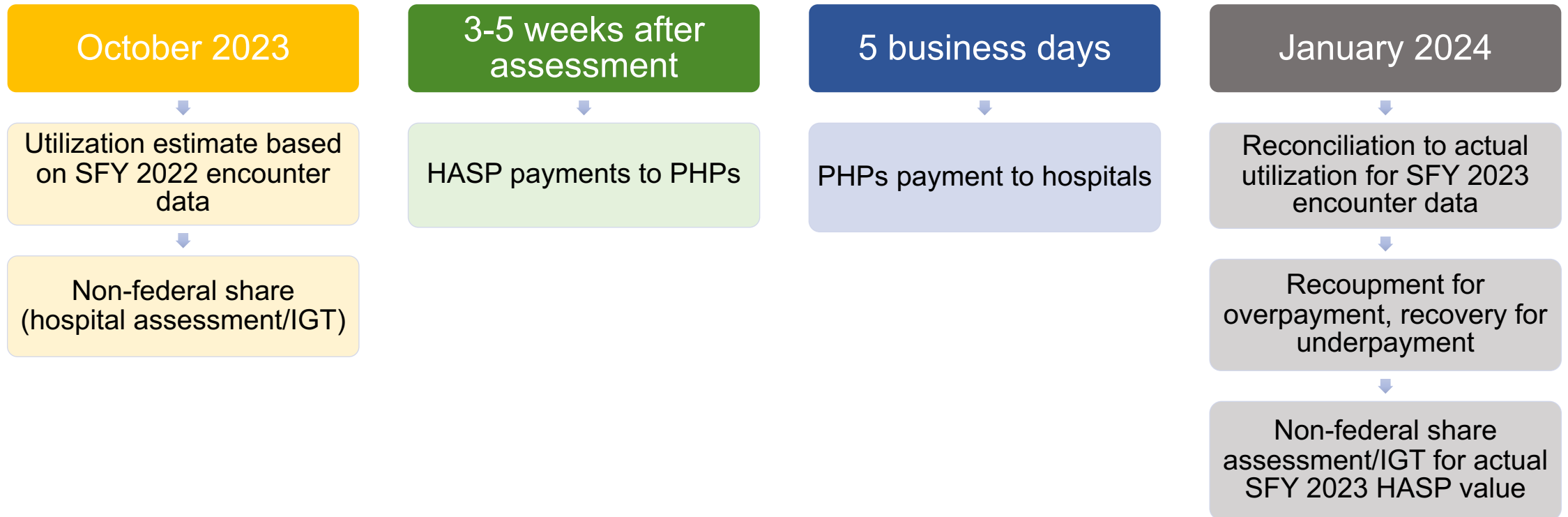
- ▶ Awaiting CMS approval
- ▶ Applies to services provided at inpatient and outpatient hospitals
- ▶ Separate uniform percentage increases for inpatient and outpatient services
- ▶ Attestation requirement

# What we know today - Continued

## ▶ Overall Process

- DHB will multiply the percentage increases by actual in-network 2023 Medicaid managed care payments
- Payments will be made between provider and plan as a separate payment.
- Contractually plans have 5 business days to pay HASP funds received to hospitals.

# Anticipated process – Initial HASP payment



# 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 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.**

# 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

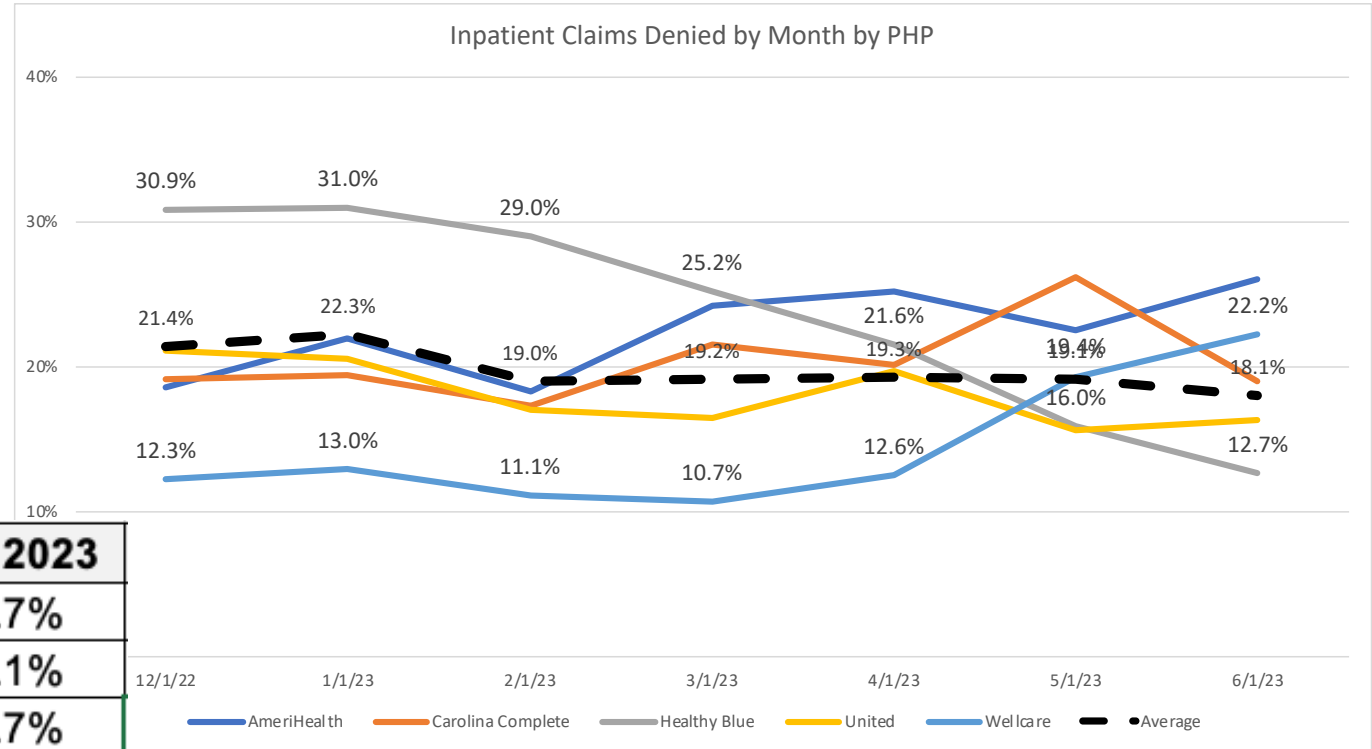
- ▶ Non-normal newborn claims paid (2021 to 2023)
- ▶ Managed Care Billing Guide
- ▶ Itemized Bill dollar thresholds
- ▶ Adjudicating claims based on codes submitted
  - Eliminating instances of downcoding
- ▶ Corrections to inapplicable policy changes by PHPs

# 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

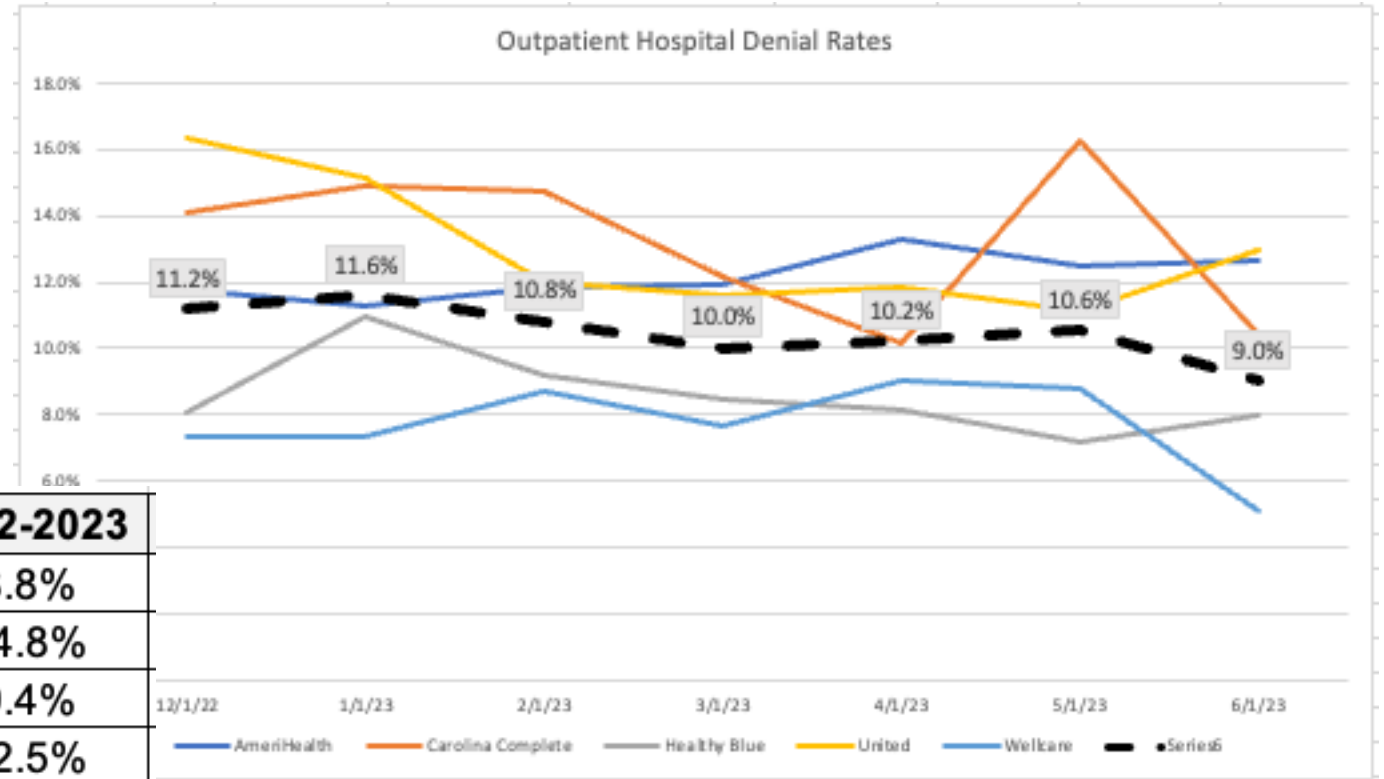


IP Denial Rates by PHP	SFY 2022	SFY 2023
Amerihealth	18.9%	23.7%
CCH	24.0%	20.1%
Healthy Blue	23.6%	25.7%
UHC	18.7%	18.2%
Wellcare	18.1%	14.4%
<b>Aggregated Average</b>	<b>20.4%</b>	<b>20.5%</b>



# 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%
<b>Aggregated Average</b>	<b>14.1%</b>	<b>11.1%</b>

# 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

# NCHA Update

# NCHA Update

- ▶ NCHA Board undertaking strategic planning
- ▶ Potential areas of focus:
  - Preservation of HASP through federal advocacy
  - Successful transition for 600k new Medicaid enrollees
  - Workforce development!!!
  - Behavioral health
  - Shaping the narrative about healthcare

# Ways to engage

**Who will serve as the next generation of healthcare finance leaders to shape policy and drive collective change?**

- ▶ NCHA is only as impactful as our members.
- ▶ Consider engaging on finance related subgroups.
  - PHP Accountability Committee
  - Technical Data Working Team
  - Focus groups – Telling the story about healthcare finance, ensuring community benefits are consistently reported.

# Thank you

- ▶ Questions and Wrap Up

Additional questions? Reach out to:

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