



Minnesota Hospital Association

Top Policy Issues Facing Health Care Systems 2024

Joe Schindler

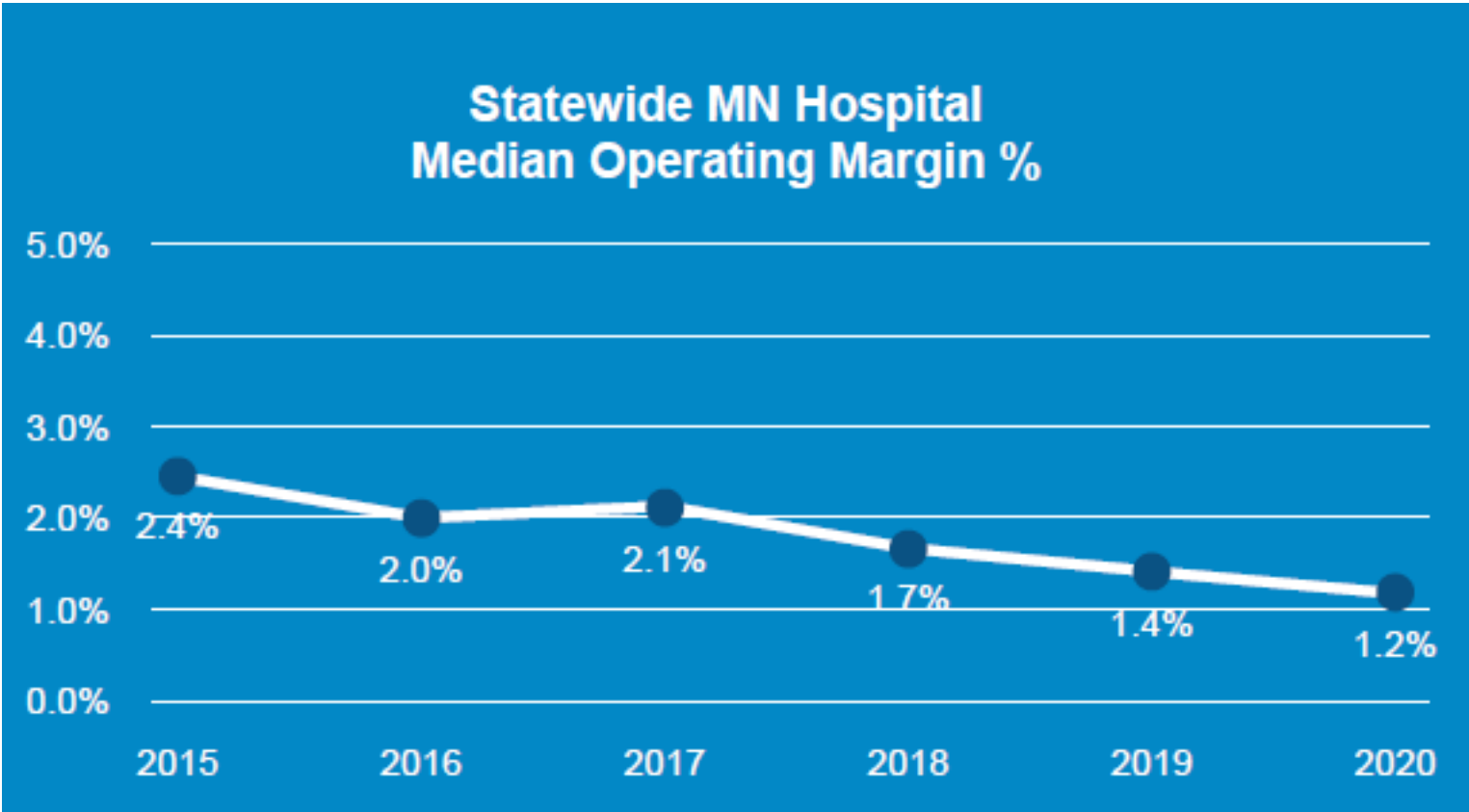
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Overview of comments

- Current landscape
- State policy issues
- Federal policy issues

Statewide Hospital Operating Margin Trend



2023 vs 2022 margins

Q1, Q2 Median Operating Margins

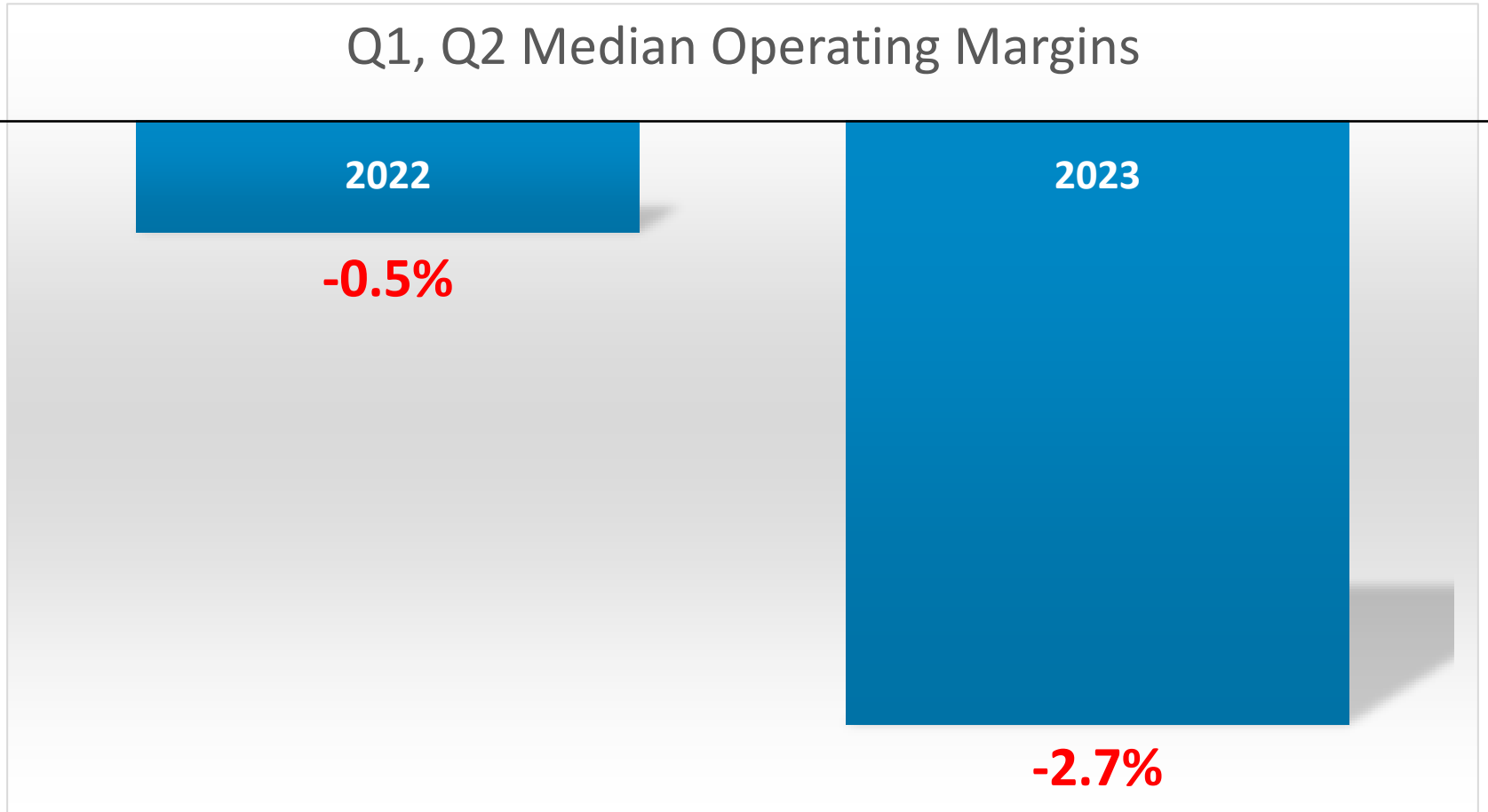
0%

2022

-0.5%

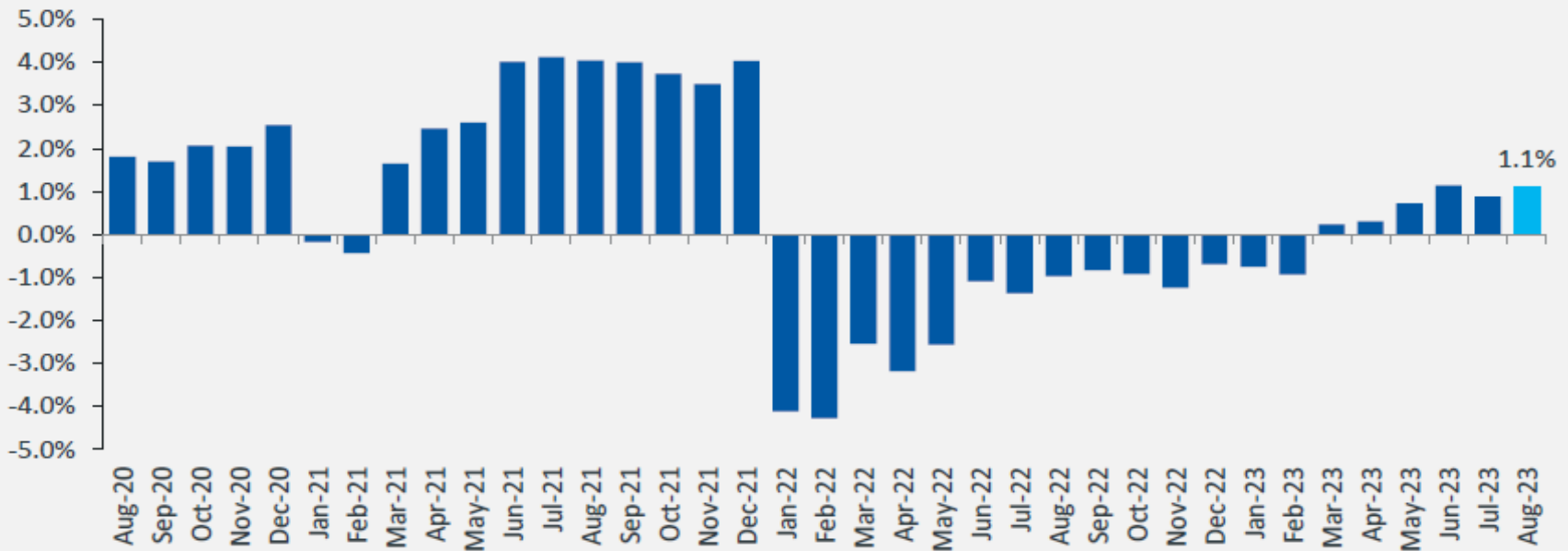
2023

-2.7%



National YTD Operating margin index

Kaufman Hall YTD Operating Margin Index



- YTD operating margin reached 1.1% in August 2023
- Overall, operating margins in 2023 has rebounded from levels seen in 2022

Negative margin drivers

1. Gov't payer mix increased from 62% to 64%
 - Medicare (est. 20% below cost)
 - Medicaid (est 27% below cost)
2. Math problem: 2023 revenues grew 5.3%, while labor costs grew 7.0% and supply costs grew 6.1%
3. Uncompensated discharge delays & ED boarding

Discharge delays data for 2023

- 170,160 inpatient delayed days
- 24,739 ED boarding days

Total = 194,899 DC delayed days

Statewide estimated uncompensated cost:

\$487 million

Workforce challenges

- There are still more than 2 jobs for every unemployed Minnesotan
- Job vacancy rates still high @ 17%, however small improvement in 2023 with health system hiring outpacing exits
- Trend towards greater shares of part-time and casual staff continue
- Unions are feeling emboldened
- Ongoing concerns of aging providers and experienced nurse leaders and practitioners

Context for the 2024 Session

- Supplemental budgets are not required.
- November Budget Forecast:
 - Good news: \$2.4B surplus in current 2024-25 biennium.
 - Bad news: Spending increases stay in place for 2026-27. Sustained revenue growth is not predicted. IF, all of the current surplus is moved forward (and not spent) the projected surplus drops to \$82 million.
- February Budget Forecast will determine what supplemental spending happens.
- Will Republicans vote for a Bonding Bill – Or will the DFL majorities need to use cash?
- Election year – In MN focus is on the state House races.
 - All 134 state house seats will be up.
 - Currently there are 70 DFL and 64 Rs.

MHA's 2024 Five Advocacy Focus Areas

1. Finance and Reimbursement
2. Workforce
3. Mental Health
4. Protecting 340B
5. Stopping bad mandates

Finance and Reimbursement:

Increase hospital Medical Assistance reimbursement rates

- Add inflation update to hospital Fee-For-Service (FFS) inpatient MA rates and rebase all CAHs to 100% of costs. Get MA payments closer to the actual costs of providing care.

Address patient discharge delays and ED boarding issues

- Advance funding for avoidable day and boarding day payments for hospitals.
- Advance a policy bill that addresses causes of delayed discharges.

Improve the prior authorization process

- Working with a provider coalition, MMA, ASCs, others.

Efforts to leverage more federal dollars into hospital MA rates

- Explore models like DPP, GME etc. for 2024 & 2025

Explore changes that could be made in the Public Option law

- Pending report from Commerce on funding options and possible implementation recommendations. Public Option MnCare is premised on low provider payment rates.

Workforce:

Money and attention are still needed.

- Increase funding for health care professional loan forgiveness.
- Change guidelines in the Dual-Training Pipeline program.
- Expand health care career exposure initiatives such as the Summer Health Care Internship Program.
- Pursue scholarships for individuals enrolled in Allied Health professional education programs.
- Continue to push for efficiencies with Health Licensing Boards.

Mental Health:

- Increase mental health provider MA reimbursement rates.
 - Focus on youth adolescent services
- Influence the work of the newly created Task Force on Priority Admissions to State-Operated Treatment Programs, evaluating the impact of the 48-hour rule.
- Work with Direct Care & Treatment as it becomes a new independent state agency. How can we partner to address capacity and smooth transitions?
- Increase capacity at Psychiatric Residential Treatment Facilities (PRTFs).
- Eliminate the sunset on audio-only telehealth services.

Protecting the 340B program:

- Build legislative support for the 340B outpatient prescription drug program by highlighting the community activities and patient services that this program allows hospitals to do.
- New reporting requirements start April 1, 2024.
 - Assist 340B hospital entities with the new reporting requirements.

Stopping Bad Mandates

Nurse staffing mandates

- Bill did little to get nurses back to the bedside – need to focus on real workforce solutions
- Hospitals and health systems are working diligently to implement new violence prevention law
- New bill idea floated by Sen. Erin Murphy (in addition to current KNABA bill?)
 - Focuses on allowing a nurse to refuse a patient assignment.
 - Concerns raised last Session about this provision – Physician Caucus.

MNA's legislative agenda

Safe Staffing

- Ensuring no nurse faces retaliation for responding to an unsafe assignment
- Increasing funding for RN student loan forgiveness
- New workplace violence prevention measures, including mandated crisis response teams for every hospital

Anti-Corporatization of Healthcare

- Create higher standards for hospitals to keep their nonprofit status. This includes requiring them to make stronger investments in the community in order to remain tax-exempt
- Require hospitals to better prioritize community health needs, including charity care
- Protect hospital workers from union-busting tactics by their employers
- Put a cap on hospital CEO pay

Other issues for 2024

- Recommendations from the Gov.'s Task Force on Academic Health at the University of MN.
- End of Life Options Act
- Regulations on hospitals regarding surgical smoke
- Medical debt collection issue
 - Put the AG agreement in statute
 - Include clinics in the 2023 law screening for public health programs and mandating the sharing of charity care policies.
- Additional scrutiny of non-profit hospitals and community benefit reporting.

Current State of Washington, DC

- Impeachment, Impeachment, Impeachment
- Annual federal government funding
 - Passed another continuing resolution with Jan. 19 and Feb. 2 deadlines
 - Border funding battle driving all other decisions
- Ongoing congressional committee focus on health care costs and spending, price transparency, health care workforce
- 2024 election serving as backdrop of everything Congress does

2024 MHA Federal Advocacy Focus Areas

Finance and Reimbursement

- Increase provider reimbursement to better account for cost of care
- Make permanent Medicare telehealth coverage
- Make permanent Hospital at Home
- Improve federal cybersecurity for the health care sector
- Defend hospital non-profit status

Health Care Workforce

- Provide additional funding for federal workforce development and education
- Add additional GME positions
- Improve immigration visa process for health care
- SAVE Act - Establish legal protections from assault and intimidation for health care professionals

Mental Health

- Increase access and affordability of community mental health services and supports
- Ensure mental health payment parity

340B Drug Pricing Program

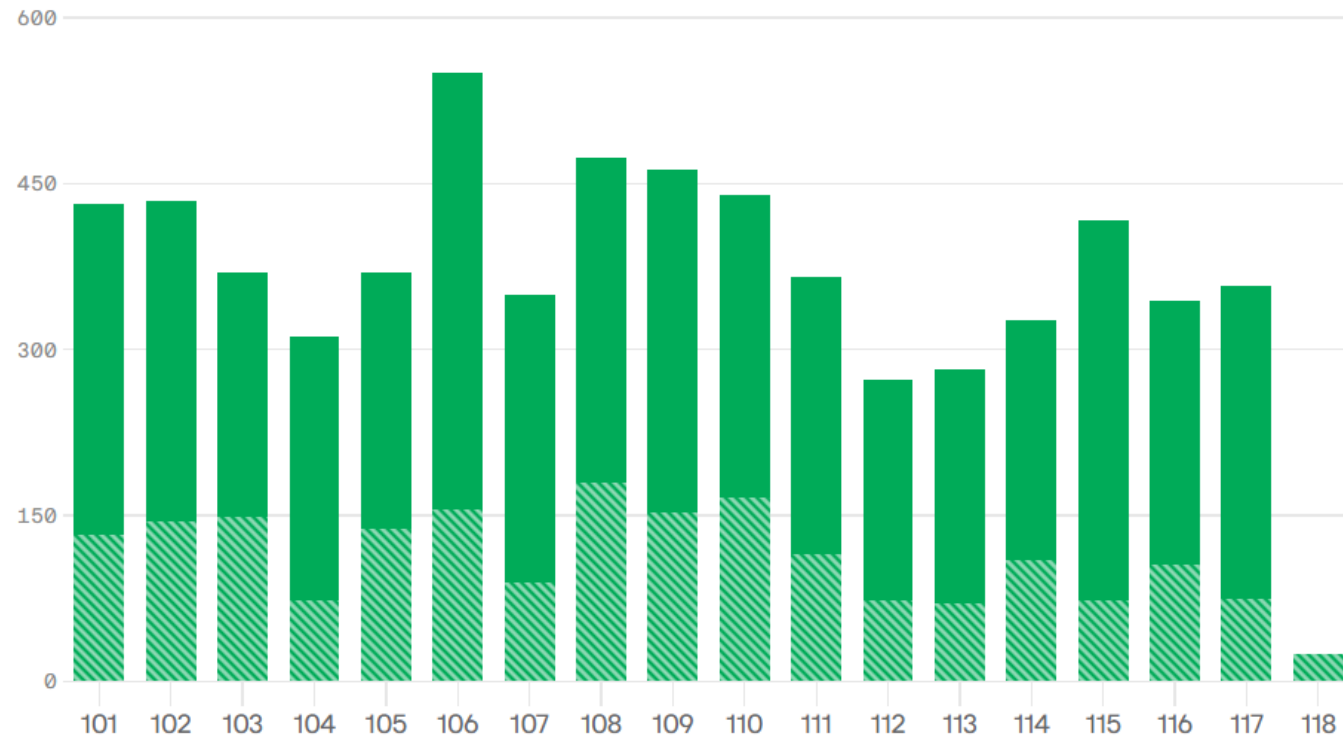
- Maintain the program and allow for continued eligibility flexibilities due to ongoing financial instability
- Fight back against big pharma and pharmacy benefit manager abuse

Most Unproductive Congress in History?

Bills enacted, by congressional session

101st Congress (1989) to 118th Congress (2023); As of Dec. 18, 2023

Enacted in first year of two-year session



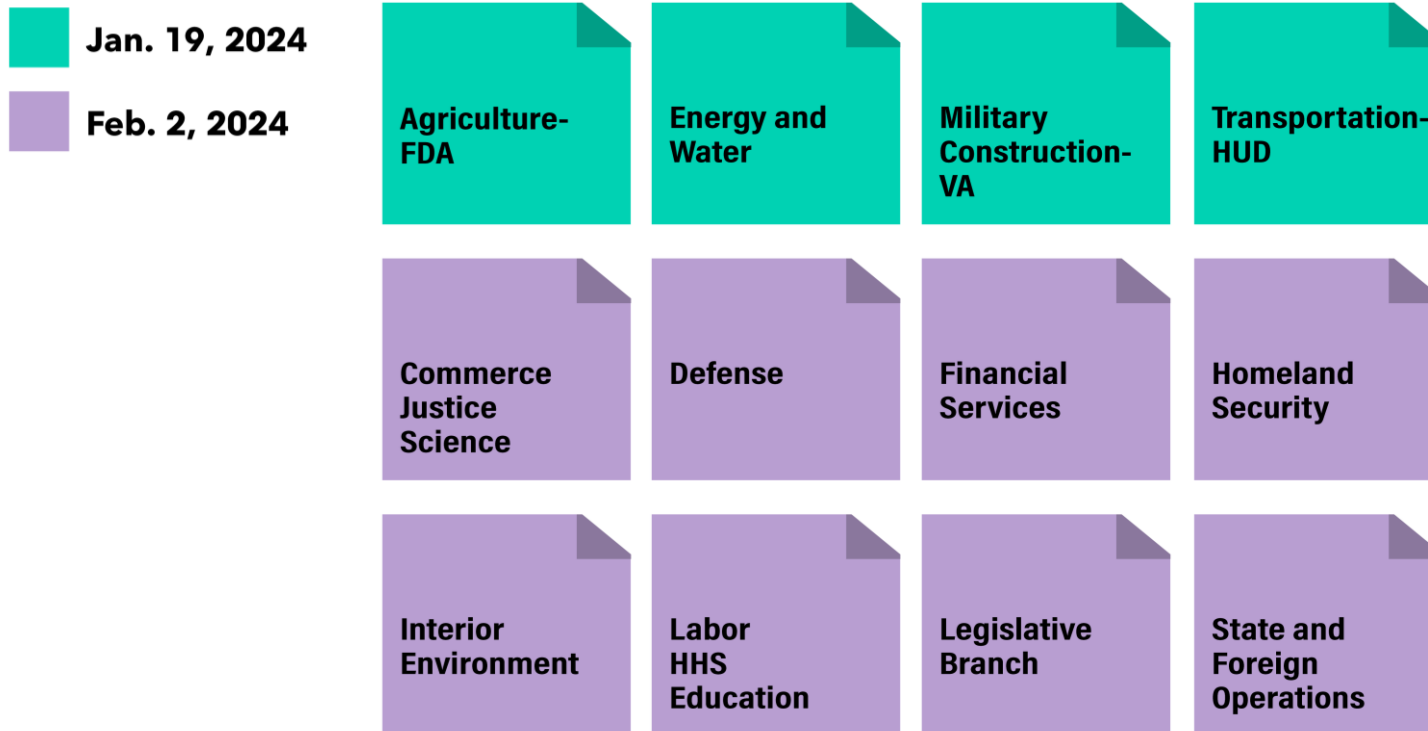
Data: Quorum; Chart: Simran Parwani/Axios

Federal Budget: Current Status

- Funding extended for Agriculture-FDA, Energy and Water, Military Construction-VA, and Transportation through Jan. 19
- Funding extended for all other federal agencies, including Health and Human Services through Feb. 2
- Delayed Medicaid disproportionate share hospital (DSH) cuts through Jan. 19
- Funding extended for several expired health programs including the National Health Service Corps, though Jan. 19
- Farm bill programs extended through Sept. 30

Fiscal 2024 Government Funding Deadlines Imminent

Latest stopgap measure ([Public Law 118-22](#)) set staggered deadlines for appropriations bills



Source: [BGOV Bill Summary: H.R. 6363, Two-Step Stopgap Measure](#)

Fiscal 2024 Appropriations Work Extended to March

Government Funding Deadlines

Congress set two deadlines for 12 appropriations bills

March 1, 2024

March 8, 2024

**Agriculture-
FDA**

**Energy and
Water**

**Military
Construction-
VA**

**Transportation-
HUD**

**Commerce
Justice
Science**

Defense

**Financial
Services**

**Homeland
Security**

**Interior
Environment**

**Labor
HHS
Education**

**Legislative
Branch**

**State and
Foreign
Operations**



Source: [BGOV Bill Summary: Senate-Amended H.R. 2872, Stopgap Funding](#)

MHA Priorities for FY 2024 Budget

- Provide stable federal government funding
- Extend Medicaid DSH payments
- Extend 5% advanced APM incentive payments
- Oppose any site-neutral payment policies
- Preserve eligibility for the 340B Drug Pricing Program
- Invest in health care workforce
- Reauthorize children's GME

Federal Budget: Proposed HHS Cuts

- House Republicans attempted to move forward with a Labor-Health and Human Services funding bill that has **\$14 billion (12%) in budget cuts to health programs, including:**
 - **-\$1.6 billion** for the CDC
 - **-\$798 million** for CMS
 - **-\$700 million** for the Health Resources and Services Administration (HRSA)
 - **-\$234 million** for the Substance Abuse and Mental Health Services Administration (SAMHSA)
 - **Eliminates funding** for the Agency for Healthcare Research and Quality (AHRQ) and 60 other programs and agencies

MHA Watchlist in 2024

- Continued Scrutiny on non-profit hospitals and charity care
- Site Neutrality
- Movement on Nurse Staffing & requirements for nursing homes
- PBM Legislation and Resulting Battles on 340B and Insulin
- 340B criticism and use of program to benefit illegal immigrants
- Artificial Intelligence
- Mental health access
 - Rep. Emmer recently re-introduced a bill, the Securing Facilities for Mental Health Services Act (H.R. 6922), to allow psychiatric inpatient hospitals to apply for federal mortgage assistance
- Train More Nurses Act (S. 2853) – passed Senate by unanimous consent
 - Require HHS and Dept of Labor to review federal grant programs and develop recommendations to increase nurse faculty and increase pathways for LPNs to become RNs

Medicare Advantage Update

Senate Finance Committee Chair Wyden continues scrutiny on MA plans

- Sent letters to MA third-party marketing organizations to gather information on marketing practices

New MA regulations effective January 1, 2024:

- Prohibits limiting or denying coverage for a Medicare-covered service different than Traditional Medicare
- Must adhere to the two-midnight rule for coverage of inpatient admissions
- Clarifies the circumstances for prior authorization (PA)
- Requires expertise in the relevant medical discipline for the clinician PA reviewer
- Requires PAs to be valid for entire course of treatment and 90-day transition period if patient is switching plans
- Must establish a committee to conduct annual review of plan PA policies
- Tightens MA marketing rules from misleading ads

Prior Authorization Update

Starting in 2026 for Medicare Advantage, Medicaid, and CHIP plans, payers must:

- Send prior authorization decisions within 72 hours for urgent requests and 7 calendar days for standard requests;
- Provide a specific reason for a denied prior authorization request;
- Publicly report certain annual prior authorization metrics;
- Add information about prior authorization to their Patient Access application programming interface (API);
- Implement and maintain provider access and payer to payer APIs by 2027; and

Addition of an attestation-only “Electronic Prior Authorization” metric to the Medicare Promoting Interoperability Program

2024 Federal Regulatory Outlook

- Final rules on mental health parity, nursing home minimum staffing, provider penalties for information blocking
- April – Hospital Inpatient Prospective Payment System proposed rule
- July – Hospital Outpatient Prospective Payment System proposed rule
- July – Medicare Physician Fee schedule proposed rule
- Fall – Expected proposed rule from the Drug Enforcement Administration (DEA) on controlled substance prescribing

Contact

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