

**Hospital Payments and County Indigent Funds**  
**Presentation to the Legislative Health and Human Services Committee**  
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**Sole Community Provider Payments – Historically**

- The program provided additional payments to support hospitals in New Mexico that are the principal or sole provider of hospital services in their service areas, as well as the primary point of access to health care for uninsured or indigent patients.
- Available funding generally grew every year, and payments reached \$278 million by FY11. Counties, since the program's inception, contributed matching funds for these payments. State general fund appropriations did not support this program.
- The program helped county governments meet their statutory obligations to provide or pay for the care of indigent patients in their counties.

**Change and Transition in 2013**

- At the end of 2012, the state faced a reduction in the amount of money available for hospitals under the Sole Community Provider Program.
- The change would have reduced payments by more than 70% -- from \$246 million to only \$69 million dollars for FY13.
- Recognizing the severe impact this reduction would have on hospitals, HSD proposed a new payment structure to the federal government (CMS) that resulted in payments in FY13 of \$159 million.
  - The state and the managed care organizations now participate in these payments
  - Counties continue to provide the state matching funds
- Payment structure serves as a bridge to new program starting in 2014.

**Safety Net Care Pool and Hospital Rate Increase**

- HSD negotiated with the Centers for Medicare and Medicaid Services (CMS), through the Centennial Care waiver, a replacement program and funding for this same set of hospitals.
- Beginning January 1, the Sole Community Provider Program is replaced by:
  1. Safety Net Care Pool – Payments to reduce uncompensated care (beginning Jan. 1, 2014) and hospital quality improvements (beginning 2015); \$68.8 million in 2014
    - \$68.8 million available for payments to address uncompensated care

- Requires a standard definition approved by CMS
  - UC pool payments focused first on smaller hospitals
2. Hospital rate increases for former SCP hospitals;
- \$120 million to \$130 million for higher Medicaid rates for former-SCP hospitals, increasing the amount they receive for inpatient services
  - Larger hospitals that do more Medicaid business benefit from this increase
- These changes will alter the distribution based on the amount of services provided by hospitals.
    - Individual hospital payments can no longer be tied directly to the amounts contributed by counties.
    - Instead tied more directly to the amount of care provided by those hospitals
  - To put these payments into effect, HSD needs a consistent, dedicated revenue stream. HSD cannot turn these payments on and off depending on a changing level of county support.
    - County funding is still necessary to continue supporting these hospitals.
    - Proposed dedicating an existing 1/8<sup>th</sup> tax increment, or the equivalent amount, to this program.
    - HSD, counties and hospitals working to find an agreeable county funding solution, because without a dedicated, consistent revenue stream, HSD cannot increase base hospital rates.
    - Dedicating an existing 1/8<sup>th</sup> tax increment, or its equivalent, would mean counties, in total, would contribute less money than they have historically.
    - And new general fund appropriations may be necessary to make up the difference, or the hospital rate increase would need to be lower.

#### **Other Considerations and Benefits**

- Medicaid expansion significantly reduces the burden on county indigent fund programs and reduces uncompensated care at hospitals. Coverage options through the health insurance exchange will do the same.
- Creates a stable, more predictable, and more transparent hospital payment structure.