Safety Net Care Pool and Implementation of Senate Bill 268 et al
Presentation to the Legislative Finance Committee and
Revenue Stabilization and Tax Policy Committee
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HUMAN SERVICES
DEPARTMENT

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 continued to provide the state matching funds
- Payment structure served 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 was replaced by:
  1. Safety Net Care Pool – Payments for uncompensated care (beginning Jan. 1, 2014) and hospital quality improvements (beginning 2015)

- $68.8 million available for payments to address uncompensated care
- Requires a standard application that is the same for each hospital. Hospitals recently submitted applications for Calendar Year 2014 payments, which HSD is reviewing.
- UC pool payments focused first on smaller hospitals

2. Hospital rate increases for former SCP hospitals;
    - Initial estimate of about $120 million for higher Medicaid rates for former-SCP hospitals, increasing the amount they receive for inpatient services
    - With Medicaid expansion and more enrollment, this estimate is now $171 million
    - Larger hospitals that do more Medicaid business benefit from this increase

- These changes 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

Senate Bill 268 et al

- The bill recognizes that HSD needed a consistent, dedicated revenue stream to make these hospital payments. (HSD cannot turn these payments on and off depending on a changing level of county support.)
- Counties still have a significant role in supporting their hospitals and other indigent fund programs. The bill allows for reduced contributions from counties than provided historically.
- Requires new reporting to counties by the department and hospitals, while providing additional flexibility to counties in the use of county indigent funds.
    - Senate Bill 268 requires counties to dedicate the equivalent of 1/12th of county gross receipts tax revenue for this program -- statewide about $24 million (originally sought a 1/8th equivalent – about $36 million).
    - This results in counties contributing less than they have in the past (FY14 county budgets proposed $56 million for contribution to hospital payments).
    - To make up part of the difference, the Legislature appropriated $9 million from the general fund – the first time state revenue has been appropriated for these payments to hospitals.

- This left about a $10 million to $12 million hole in state funding necessary to make the anticipated hospital payments.
- HSD is seeking a one-year fix for FY15, but there is still a recurring funding gap for these hospital payments.

2015 -- Hospital Quality Improvement Incentive Pool – Looking Forward

- The second component of the Safety Net Care Pool is another pool of money for payments to hospitals to improve the quality of care.

($ in millions)	2014	2015	2016	2017	2018	Total
Hospital Quality Improvement	-	2.82	5.76	8.83	12.01	29.42

- Hospitals will track metrics to set baselines during CY 2015 and then 'earn' incentive payment by reaching targets in subsequent years. Performance measures include such things as reducing infections, reducing adverse drug events, and reducing injuries from falls, among others.
- Similar to the UC Pool, the HQII pool recognizes differences between small and larger hospitals.
- Hospitals will receive additional payments if they make improvements in these metrics, as well as future population-based metrics, such as reduced admission rates due to complications from diabetes or asthma.

Expenditures	Fiscal Year 2013	Calendar Year 2014			Calendar Year 2014		
		Estimates During Session			Current Estimates		
	Total Sole Community Payments[1]	UC Payments	Rate Increase Payments	Total	UC Applications[2]	Rate Increase Payments[3]	Total
Smallest Hospitals	$ 25,933,702	41,333,594	9,079,357	50,412,951	27,073,327	12,078,740	39,152,067
Small Hospitals	$ 22,404,424	20,666,797	15,800,924	36,467,721	25,551,724	22,297,727	47,849,451
Medium Hospitals	$ 14,572,977	6,888,932	21,888,275	28,777,207	13,281,508	33,730,859	47,012,367
Large Hospitals	$ 37,457,639	-	30,790,427	30,790,427	2,982,764	37,153,782	40,136,546
Largest Hospital	$ 58,870,630	-	45,642,964	45,642,964	-	66,182,299	66,182,299
Total	$ 159,239,372	68,889,323	123,201,947	192,091,270	68,889,323	171,443,407	240,332,730

[1] Includes transition payments through managed care organizations.

[2] HSD is reviewing the final applications; amounts could vary pending final review and approval. CY14 payments projected to be made from FY14 budget.

[3] Based on estimates submitted in the UC applications

Revenues	Fiscal Year 2013	Calendar Year 2014 (Session Estimate)		Calendar Year 2014 (Current Estimate)	
Total	$ 159,239,372		$ 192,091,270		$ 240,332,730
Federal	$ 111,720,322		133,791,570		180,937,941
State	$ 47,519,050		58,299,700		59,394,789
UNMH transfer/CPE	$ 18,132,154		13,852,640		14,129,693
County Transfer	$ 29,386,895		24,197,807		24,197,807 *
General Fund	$ -		9,000,000		9,000,000
Total State	$ 47,519,049		47,050,447		47,327,500
State/County Shortfall	$ -		(11,249,254)		(12,067,290) **

*May vary depending on county contributions for the first half of calendar year 2014, before effective date of SB268. Amount reflected here is the estimated county transfers equivalent to 1/12th GRT revenue.

**Will vary depending on FY14 county transfers and any UC pool payments completed in FY14 instead of FY15. In general, this amount represents the recurring state budget shortfall for this level of payment