

LDH Budget - FY 21

Hospital Money Follows the Patient
(MFP) Payment Model

Joint House Appropriations
and Health & Welfare
May 14, 2020



Hospital Payment Structure

➤ Hospital's Payment

- Hospitals are paid based on the services performed using both an **inpatient per diem rate based on their peer group**, as defined by the Louisiana Medicaid State Plan and an **outpatient fee schedule**. Both of which are updated at least annually and posted on the Louisiana Medicaid Website: www.lamedicaid.com
- Hospitals may also receive supplemental payments, which are used to compensate for the Medicaid Shortfall (the difference between a hospital's cost of care for Medicaid-eligible patients and the payment the hospital receives for these services) and the treatment of the uninsured.
 - **Disproportionate Share (DSH)/Uncompensated Care(UCC)**
- Hospitals may also receive supplemental payments used to compensate for the delta of what Medicaid reimburses for claims and what Medicare would have reimbursed for the same claims.
 - **Upper Payment Limit(UPL) payments**
 - **Full Medicaid Pricing (FMP) payments**

Hospital Supplemental Payment Pools

➤ **Disproportionate Share (DSH)/Uncompensated Care (UCC)**

- Uncompensated costs related to uninsured consumers of medical services
- The “Medicaid shortfall” which is the difference between a hospital’s cost of care for Medicaid-eligible patients and payment the hospital receives for these services
- SFY 2020 Budget = \$1,141,634,653

➤ **Hospital Upper Payment Limit (UPL) payments/Full Medicaid Pricing (FMP)**

- Calculates, on a aggregate and per hospital basis, the delta between Medicaid payments and what those payments would have been under Medicare
- The delta is available for payment to hospitals outlined in previous agreements with the department
- FMP SFY 2020 Projected Total= \$757,435,558
- UPL SFY 2020 Projected Total = \$85,614,195

Hospital Payment Structure:

Hospital Per Diems

➤ Louisiana Inpatient Per-diem

- Consolidated list with Peer Group One (1) Averaged

Hospital Type	CURRENT Per Diem	GME Part of Per Diem	Non GME Part of Per Diem
Childrens	\$ 1,997.23	\$ 157.08	\$ 1,840.15
Peer Group 1(Average)	\$1,364.55	\$ 135.06	\$1,229.49
Peer Group 2	\$1,137.51	\$ 0.19	\$1,137.33
Peer Group 3	\$1,137.33	\$ -	\$1,137.33
Peer Group 4	\$ 1,137.33	\$ -	\$ 1,137.33
Peer Group 5	\$ 1,137.33	\$ -	\$ 1,137.33
Rural	\$ 2,298.39	\$ -	\$ 2,298.39
State Hospital	\$ 2,177.75	\$ 1.46	\$ 2,176.29

Hospital Payment Structure:

Hospital Per Diems (continued)

➤ Louisiana Inpatient Per diem

- Peer Group One (1) individual per diems

Peer Group 1 Facility Name	Hospital Type	CURRENT Per Diem	GME Part of Per Diem	Non GME Part of Per Diem
Baton Rouge General Medical Center	Peer Group 1	\$1,173.73		\$1,173.73
East Jefferson General Hospital	Peer Group 1	\$1,173.72		\$1,173.72
Lafayette General Medical Center	Peer Group 1	\$1,173.73		\$1,173.73
Lake Charles Memorial Hospital	Peer Group 1	\$1,173.73		\$1,173.73
Leonard J Chabert Medical Center	Peer Group 1	\$1,351.14	\$177.39	\$1,173.75
Ochsner Foundation Hospital	Peer Group 1	\$1,686.14	\$218.96	\$1,467.18
Ochsner LSU Health Monroe (formerly: University Health Conway - Payto: BRFHH Monroe LLC)	Peer Group 1	\$1,290.32	\$116.57	\$1,173.75
Ochsner LSU Health Shreveport (formerly: University Health Shreveport - Payto: BRFHH Shreveport LLC)	Peer Group 1	\$1,313.78	\$140.02	\$1,173.76
Ochsner Medical Center Kenner LLC	Peer Group 1	\$1,485.67	\$18.50	\$1,467.16
Our Lady of the Lake Regional	Peer Group 1	\$2,101.95	\$102.26	\$1,999.69
Rapides Regional Medical Center	Peer Group 1	\$1,173.73	\$8.83	\$1,164.90
Touro Infirmary	Peer Group 1	\$1,384.19	\$24.33	\$1,359.86
Tulane University Hospital and Clinic	Peer Group 1	\$1,820.58	\$287.94	\$1,532.64
University Hospitals & Clinic	Peer Group 1	\$1,301.86	\$128.10	\$1,173.76
University Medical Center New Orleans (Formerly: Medical Center of La - New Orleans)	Peer Group 1	\$1,436.45	\$262.71	\$1,173.75
West Jefferson Medical Center	Peer Group 1	\$1,173.73		\$1,173.73
Willis Knighton Medical Center	Peer Group 1	\$1,173.75		\$1,173.75
Womans Hospital	Peer Group 1	\$1,173.75		\$1,173.75

Hospital Payment Structure:

History

- In 2016, The Department began the process of researching a new payment methodology for hospitals called Diagnosis Related Groups (DRGs).
- The initial model was based on claims from 2016 that were then repriced using a DRG methodology.
- In 2018, the transition was suspended due to cost constraints.

What are DRGs?

A DRG is a patient classification system that standardizes prospective payment to hospitals and encourages cost containment initiatives.

In general, a DRG payment covers all charges associated with an inpatient stay from the time of admission to discharge. The DRG includes any services performed by an outside provider.

Claims for the inpatient stay are submitted and processed for payment only upon discharge.

Hospital Payment Structure:

History (continued)

- In 2020, the data and research collected was used as a starting point for the new Hospital Directed Payment Model (Money Follows the Patient)
 - Includes Medicaid Claims Payments for all Acute Care Hospitals based on DRG projections
 - The model establishes 10 “classes” in which a Hospital may qualify
 - Each category represents a rate increase percentage ranging from 15% to 95% of Medicaid Base Payments
 - Based on category qualifications, a hospital will receive rate increases as a directed payment

Hospital Payment Structure: *Challenges*

➤ **Looming DSH cuts due to the Affordable Care Act (ACA)**

- Federal Fiscal Year Estimate
 - \$377,929,527 - Total Federal and State

➤ **UPL/FMP Caps Decreasing**

- These supplemental pools are designed to compensate hospitals for the delta between a Medicaid Payment and a Medicare Payment
- Over time, this gap has been decreasing thus reducing the amount of funds that may be paid to providers

➤ **Medicaid Fiscal Accountability Regulation (MFAR)**

- Aimed at strengthening the fiscal integrity of the Medicaid program, with a focus on supplemental payments and financing arrangements.

Hospital Payment Reform

Est. Date of Implementation - July 1, 2020

➤ **Hospital Money Follows the Patient (MFP):**

- Replaces Full-Medicaid Pricing (FMP)
- Significantly reduces the department's reliance on UCC/DSH in preparation of ACA reductions
- Invests in the safety-net system to shore up limitations revealed by the COVID-19 pandemic
- Payments will be distributed based on each hospital's volume of hospital services delivered to Medicaid enrollees
- Applies a uniform percentage rate increases to hospital classes that capture every short-term acute care hospital in Louisiana
- Supports hospital services to Medicaid enrollees state-wide
- Modeled on programs in other states (Michigan, Tennessee, Texas, California and Arizona)

Hospital Payment Reform:

Goals of the Program

- To implement the program in a way that requires no additional State General Funds
- To address current over-subscription, and protect against future cuts, in the hospital FMP and UCC program
- To maintain current payment levels for each hospital/system that will lose hospital FMP and UCC payments, to avoid any hospital/system being harmed by the shift to the MFP Program
- Base the classes on policy considerations that will receive CMS approval
- For MFP Program payments to follow the patient, so that hospitals who see more Medicaid patients receive more reimbursement;
- To implement a program that will qualify for CMS expedited approval related to the COVID-19 pandemic

Hospital Payment Reform:

Goals of the Program (continued)

- To provide additional financial support for hospitals who worked with the State to implement targeted expansions in capacity in response to the COVID-19 pandemic;
- To ensure access to care for the Medicaid population by rewarding hospitals who represent the State's largest Medicaid providers;
- To maintain access to care for the Medicaid population in rural areas; and
- To incentivize hospitals to maintain and expand capacity for Medicaid populations, in order to avoid capacity shortages in future crises.
- To enhance the Department's Quality Strategy Goals and Objectives
 - Ensure access to care to meet enrollee needs & improve enrollee health
 - Provide for a more financially stable Medicaid Program
 - Support service innovation & build shared capacity
- To serve as a foundation for future payment reform related to base rates

Hospital MFP:

Program Wins

- Generates an additional \$745M in hospital payments to shore up the safety-net and ensure access for Medicaid enrollees
- Current level of payments and associated maintenance of effort remains
- Financing for additional payments will be financed with Self-Generated Revenue (SGR) and Federal dollars
- LDH will need an amendment for SGR and Federal authority in SFY21 Budget
- LDH has the ability to revisit classes and/or rates at least annually

Hospital MFP:

Class Breakdown

- The defined Hospital Classes fall into one of three categories:
 1. **Rural, Public, and Other Hospitals**
(that provide the backbone of the safety net in critical areas)
 - 4 classes
 2. **Incentivizing Hospital Capacity**
 - 4 classes
 3. **Focus on Medicaid Concentration**
 - 2 classes

Hospital MFP - Category 1:

Rural, Public, and Other Hospitals

➤ 4 Classes:

Rural Hospitals	Louisiana's State Plan identifies rural hospitals as a unique reimbursement class, and Louisiana's Legislature, through the Rural Hospital Preservation Act, identified these hospitals as critical to the State's healthcare safety net and to the well-being of rural communities
Urban Public Hospitals	Public non-rural hospitals, as defined in Louisiana's State Plan (commonly referred to as "urban public hospitals"), similarly shoulder important public health responsibilities for their communities.
Teaching Hospitals	Louisiana's Medicaid State Plan creates a unique reimbursement class, Peer Group 1, for "Major Teaching Hospitals" – those hospitals that either: (1) participate in at least 4 approved medical residency programs and maintain at least 15 intern and resident unweighted, full-time equivalent positions ("FTEs"), or (2) maintain at least 20 intern and resident FTEs with a family practice residency program that is located more than 150 miles from the accredited medical school OR those hospitals that participate in at least one approved medical residency program and maintain at least 6 intern and resident FTEs
Other Short-Term Acute Care Hospitals	All hospitals in Peer Group 3, 4, or 5 and the Peer Group for children's hospitals, as these groups are defined in the State Plan. This class is intended to ensure that Medicaid enrollees in all areas of the State have access to services.

Hospital MFP - Category 2:

Incentivizing Hospital Capacity

➤ 4 Classes:

Adult ICU Bed Capacity (of 30 or More)	During the COVID 19 crisis, LDH learned that concentrating large ICU beds in one facility was a more efficient use of professional staff, equipment, and supplies than trying to spread small ICU bed accounts across more facilities. This class supports hospitals that provide the most capacity for severely ill Medicaid patients.
Telemetry Bed Capacity (of 75 or More)	Telemetry unit patients are generally more critical than typical med/surg patients but more stable than ICU patients. Patients occupying a telemetry bed will have their cardiac and respiratory rates closely monitored by nursing staff
Emergency Department Capacity (of 50 or More)	Medicaid enrollees without primary care providers or family doctors are more likely to utilize emergency department services for first-line medical treatment. LDH needs to support hospitals with larger emergency department capacity to secure continued access to care for Medicaid enrollees. This class supports hospitals that provide the most capacity for Medicaid patients in need of emergency department services
Med/Surg Bed Capacity (of 200 or More)	COVID-19 highlighted inpatient capacity shortages and the need for hospitals with significant capacity to provide inpatient services to the Medicaid population. This class supports hospitals that provide the most capacity for Medicaid patients in need of inpatient services

Hospital MFP - Category 3:

Focus on Medicaid Concentration

➤ 2 Classes:

20% Medicaid Utilization or 5% of the Entire State's Medicaid Days	Hospitals are eligible for this class if either at least 20% of their patient population consists of Medicaid enrollees or if their total Medicaid days represent at least 5% of Louisiana's statewide Medicaid days.
Region 1 (Jefferson, Orleans, St. Bernard & Plaquemines parishes)	LDH operates through 9 distinct geographic service areas, or regions. Region 1 consists of the <i>New Orleans metropolitan area</i> . Region 1 is also the most densely populated region in the state, containing 20% of Louisiana's total population. More than 1 in 3 of Region 1's residents are Medicaid enrollees, and Region 1 has been disproportionately impacted by COVID 19, reporting 1 in 4 of all COVID 19 cases in Louisiana. Hospitals located in Region 1 are eligible for this class

Hospital MFP: *Timeline Year 1*

Tasks	
Present FY 2021 Budget and the new Money Follows the Patient (MFP) Directed Payment Model to House Appropriations Committee	May 8, 2020
Present to a joint meeting of House Appropriations and House Ways and Means Committees	May 15, 2020
LDH drafts proposed contract amendments with provisions implementing rate increase	May 22, 2020
LDH prepares and submits 42 CFR Section 438.6 preprint to CMS requesting expedited review	May 22, 2020
LDH implements the MFP program	July 1, 2020

Hospital MFP: *Timeline Year 1*

2020 Contract Six Month Rate Period (July 1 – December 31 2020)		
2020 Contract Year Quarter 1	LDH Directs the Managed care plans to pay out 25% of the projected MFP Funds based on projections in the model.	July 15, 2020
	Managed care plans pay hospitals rate increase payments for first quarter of the rate period.	July 31, 2020
2020 Contract Year Quarter 2	LDH Directs the Managed care plans to pay out 25% of the projected MFP Funds based on projections in the model.	October 15, 2020
	Managed care plans pay hospitals rate increase payments for second quarter of the rate period.	October 31, 2020

Hospital MFP: *Timeline Year 2*

2021 Contract 12 Month Rate Period (January 1 – December 31 2021)		
2021 Contract Year Quarter 1	LDH Directs the Managed care plans to pay out 25% of the projected MFP Funds based on projections in the model.	January 15, 2021
	Managed care plans pay hospitals rate increase payments for first quarter of the rate period.	January 31, 2021
2021 Contract Year Quarter 2	LDH Directs the Managed care plans to pay out 25% of the projected MFP Funds based on projections in the model.	April 15, 2021
	Managed care plans pay hospitals rate increase payments for second quarter of the rate period.	April 30, 2021
2020 Contract Reconciliation	Medicaid managed care plans submit final encounter data to LDH for total paid in-network claims to each hospital during the 2020 Contract Period	June 30, 2021
	LDH reconciles the rate increase payments that would have been paid to each hospital based verses what each hospital was paid, LDH will apply the net adjustment on the quarter 3 directed payment.	July 15, 2021
2021 Contract Year Quarter 3	LDH Directs the Managed care plans to pay out 25% of the projected MFP Funds based on projections in the model.	July 15, 2021
	Managed care plans pay hospitals rate increase payments for third quarter of the rate period.	July 31, 2021
2021 Contract Year Quarter 4	LDH Directs the Managed care plans to pay out 25% of the projected MFP Funds based on projections in the model.	October 15, 2021
	Managed care plans pay hospitals rate increase payments for fourth quarter of the rate period.	October 31, 2021

Hospital MFP: *Financing*

➤ Intergovernmental Transfer (IGT):

- Pursuant to 42 CFR 433.51, public funds may be considered as the State's share in claiming FFP if they are transferred from other public agencies, including Indian Tribes
- Hospitals that have historically sent in IGT's →
- SFY 2020 Budget \$218,047,646 (UPL/FMP/DSH)

Hospital Name
Abbeville General Hospital
Allen Parish Hospital
East Jefferson General Hospital
Jefferson Parish Human Service Authority
Lafourche Hospital Service District
LSU Medical School New Orleans
Natchitoches Regional Med Ctr
North Oaks Medical Center
Savoy Medical Center
Slidell Memorial Hospital
St. Bernard Parish Hospital
St. Charles Parish Hospital
St. Tammany Parish HSD 1
Terrebonne General
East Jefferson General Hospital
LaSalle General Hospital
LSU Shreveport
New Orleans East
Terrebonne General

Questions?

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