



LA Healthcare Industry Solutions

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Overview

- Hospitals and The Economy
- Health Coverage in Louisiana
- State Medicaid Reimbursement
- Industry Solutions



Hospitals and the Economy

- Louisiana hospitals employ over 99,000 direct employees with a payroll of over **\$4.4 billion**.
- This accounts for approximately **46%** of payroll within the healthcare industry sector.
- Economists estimate that each direct job in a hospital supports **1.4** additional jobs in other industries.
- Every dollar spent by a hospital in the community, including payroll and other expenditures, supports **\$.95** of additional business activity.



Hospitals and the Economy

- Total hospital expenditures, including payroll plus expenditures on supplies and other services, amount to **\$13.9 billion** annually.
- Overall business activity as measured by business sales, including direct hospital expenditures of \$13.9 billion, amounts to **\$27.1 billion** annually.
- Personal earnings associated with these business transactions amount to **\$9.5 billion**, with **240,691 direct and indirect jobs** supported by hospital expenditures.
 - These jobs include not only the actual hospital workers, but also construction jobs, service-related jobs, etc.



Healthcare Coverage in LA

- 1.7 million have commercial health insurance **38%**
- 1.3 million rely on Medicaid **29%**
- 653,000 rely on Medicare **14%**
- 813,000 have no insurance coverage **18%**

Total: 2.8 million people (61%) covered by underfunded government payors or no coverage



LA Medicaid Enrollment History

State Fiscal Year 1997-98

730,898

Today

1.3 million+



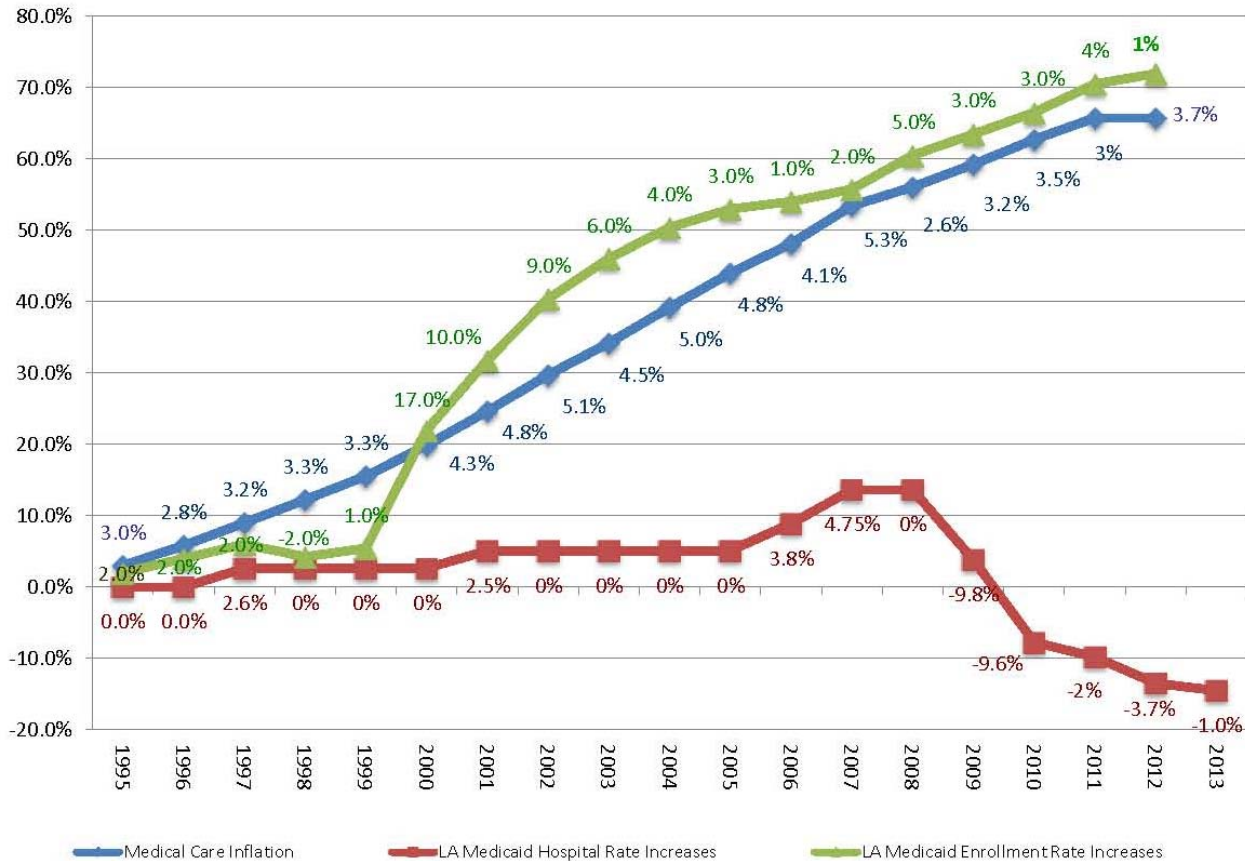
Medicaid Cuts to Hospitals

Community non-rural hospital base payments rates have been reduced by a cumulative **26%**, or over **\$260 million** annualized, since 2009.

- Aug 2009 - 6%
(6.3 IP/5.65 OP)
- Feb 2010 - 5%
- Aug 2010 - 4.6%
- Jan 2011 - 2%
- Aug 2012 - 3.7%
- Feb 2013 - 1%



Community Hospital Medicaid Payments Compared to Medical Care Inflation



- 1997** 2.6% Medicaid rate increase
- 2001** \$25 M appropriated for 2.5% Medicaid rate increase
- 2006** \$38 M appropriated for 3.8% Medicaid rate increase
- 2007** \$33 M appropriated for 4.75% Medicaid rate increase
- 2009** 3.5% mid-year reduction in February and 6.3% IP / 5.65% OP reduction in August (estimated \$90 M total impact to hospitals including outlier reductions)
- 2010** 5% mid-year reduction in February (estimated \$50 M impact to hospitals); 4.6% reduction in August (estimated impact of \$46 M to hospitals)
- 2011** 2% mid-year reduction in January (estimated \$18 M impact to hospitals);
- 2012** August Deduction of 3.7% IP and OP (est. \$31.3 M impact to hospitals.)
- 2013** February reduction of 1% IP and OP (estimated \$9 M impact to hospitals).

Source: Medical Care Inflation per Department of Labor, Bureau of Labor Statistics

Medicaid Enrollment Increases for 1995 and 1996 based on average of three subsequent years; Medicaid Enrollment Increases for 2013 based on Jan 2012 to Jan 2013 comparison

2/10/2014



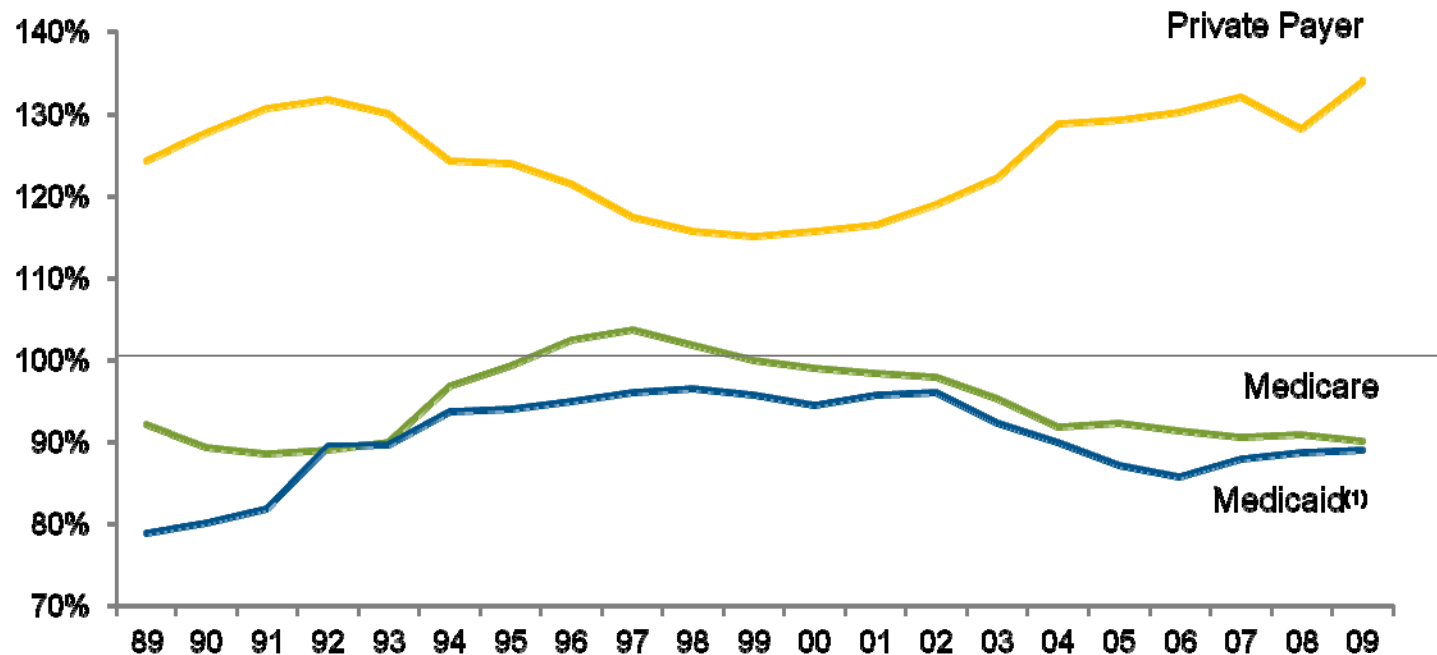
Making Up the Difference

- Currently, base Medicaid reimbursement rates only cover approximately **60% of what it actually costs** to treat a Medicaid patient.
- Individuals and businesses **with health insurance have to pay more** in higher healthcare insurance premiums to cover these shortfalls.



Payment to Cost Ratios

Aggregate Hospital Payment-to-Cost Ratios for Private Payers, Medicare, and Medicaid, 1989 – 2009



Source: Avalere Health analysis of American Hospital Association Annual Survey data, 2009, for community hospitals.

⁽¹⁾ Includes Medicaid Disproportionate Share payments.

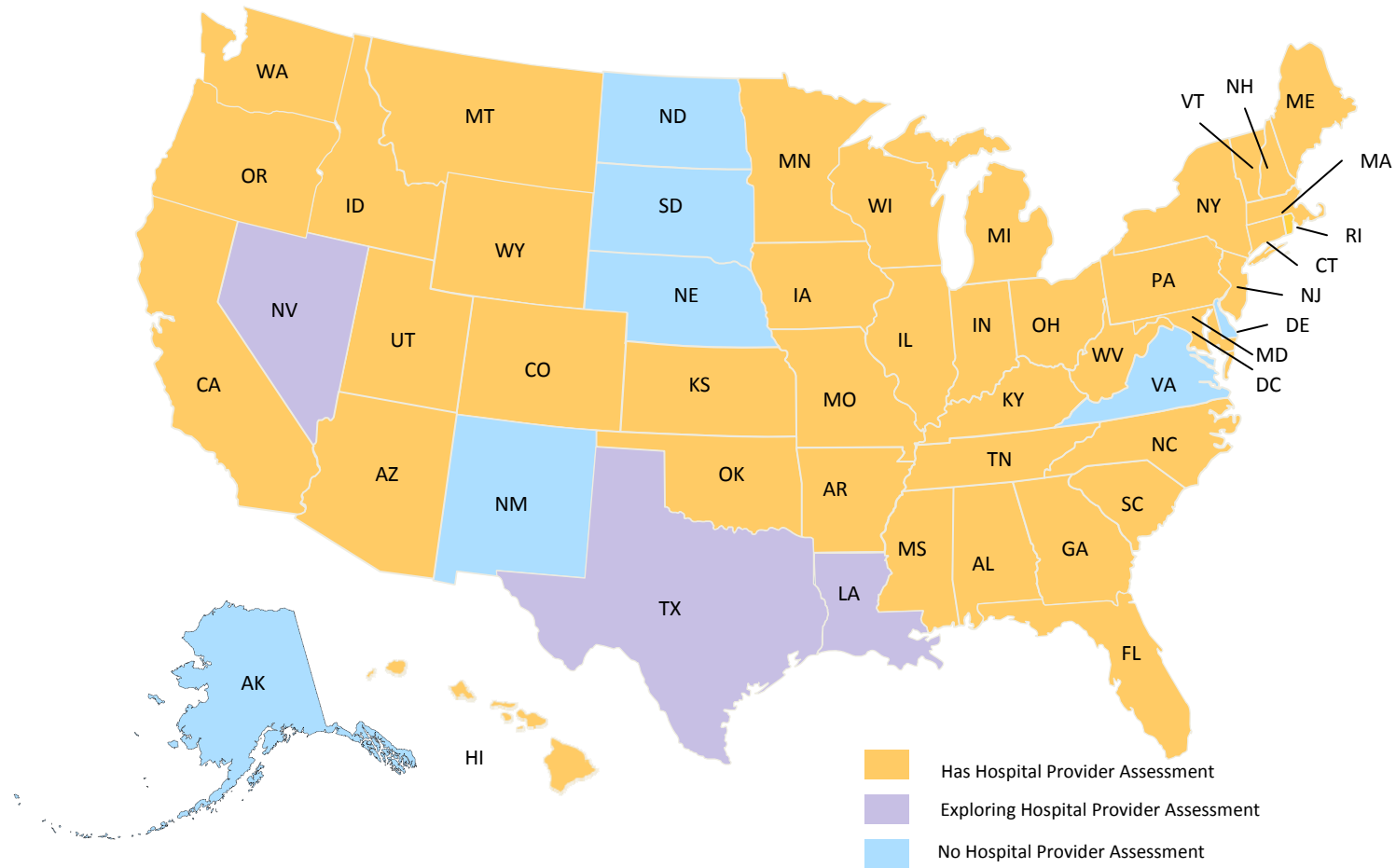


The Solution for a Stable Funding Stream – What We Propose

- Provider Assessment – in effect in 40 other states, 19 of which have passed since 2008
- The same plan that is used by:
 - ICF/MRDD – 34 states including LA
 - Nursing Homes – 41 states including LA
 - Managed Care – 9 states including LA
 - Other, like Pharmacy – 12 states including LA



Hospital Assessment Programs – FY 2013





Constitutional Amendments

- House Speaker Kleckley (R-Lake Charles) and Rep. Leger (D-New Orleans) introduced HB 532 & HB 533 (both Constitutional Amendments)
 - HB 532 provides for **the Hospital Stabilization Formula and Fund**.
 - HB 533 creates the **Louisiana Medical Assistance Trust Fund** for existing assessments that are paid by **nursing homes, pharmacies and ICF/MRDD homes**.



What Does the Constitutional Amendment Do?

- Secures a sustainable source of funding for providers that is stable, is predictable and more closely reflects the cost of providing services.
- Improves and complements existing programs such as the Rural Hospital Preservation Act and Bayou Health (Medicaid Managed Care).
- Provides assurances that funding generated is used for only for the intended purpose, so money is not “swept.”

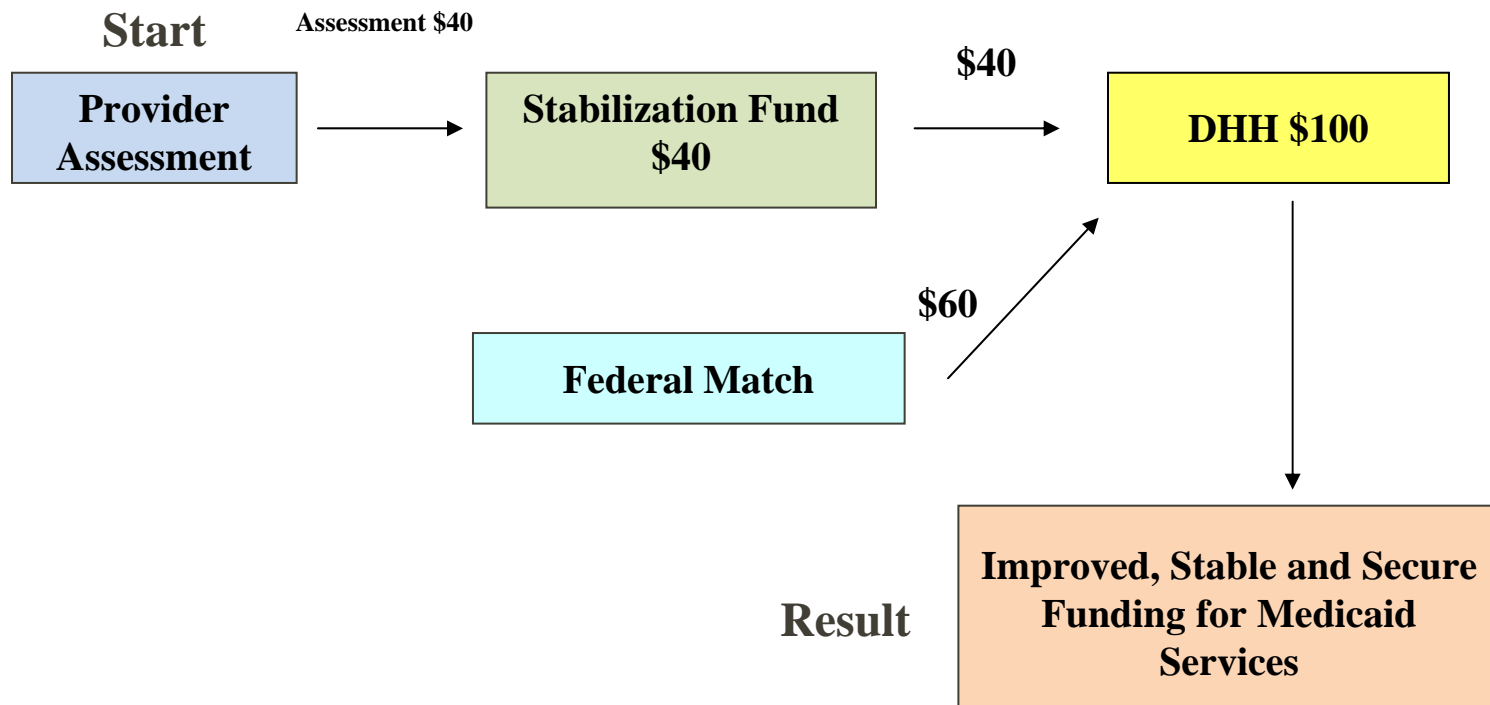


Two Step Process for HB 532

1. Constitutional Amendment – HB 532 overwhelmingly passed in the 2013 Legislative Session and must pass a vote of the public in November 2014.
2. A concurrent resolution provided for in the constitutional amendment would establish the details of the provider assessment program and must be annually approved by the legislature.



Sample Flow of Funds





HBs 532 & 533 - Result

- This is an industry-driven solution;
- Protects patient services for community hospitals, nursing homes, pharmacists and homes for the mentally disabled;
- Ensures that quality care continues for ALL; and
- Continues the positive economic impact to your community.



Final Passage

- LA House of Representatives
 - 99 voted FOR
 - 6 voted Against

- LA State Senate
 - 33 voted FOR
 - 5 voted Against

43 co-authors



Other Supporters

To Date:

- Louisiana Association of Business and Industry (LABI)
 - **Program of Work (approved 11/14/13)** – “Oppose taxes on health plans or health care providers that do not directly increase funding to the health plan or provider industry and therefore may increase the cost of employer-sponsored health care benefits. Support efforts to design protected fees or taxes that will enhance Medicaid funding to the industry group thereby reducing cost-shifting to consumers and employers.”
- Alexandria Chamber of Commerce
- Blueprint Louisiana
- Community and Residential Services Association (CARSA)
- Monroe Chamber of Commerce
- Northshore Legislative Alliance



LHA Ask

We would greatly appreciate the support of your Chamber of Commerce for BOTH Healthcare Constitutional Amendments on Nov. 4, 2014!!!



Questions?