



The NOTEBOOK

www.arkhospitals.org

A WEEKLY PUBLICATION OF THE ARKANSAS HOSPITAL ASSOCIATION

November 3, 2014

Volume 21, Number 33

Survey Reveals Private Option Impact on Hospitals

Results of a survey conducted jointly by the Arkansas Hospital Association (AHA) and the Arkansas Chapter of the Healthcare Financial Management Association in August and September reveal that the Arkansas Private Option (APO) plan for expanding health insurance to low-income Arkansans is having a dramatic effect on the state's hospitals.

As reflected in the table below, during the first six months of this year, hospitals responding to the survey – facilities accounting for 80% of all hospital care provided in the state, both in terms of patient admissions and revenues – reported marked reductions in the number of uninsured patients being cared for across all service settings, including inpatient, emergency department and hospital outpatient clinics.

Patient Utilization	<u>2013</u>	<u>2014</u>	<u>% Change</u>
Inpatient Admissions			
Total	135,552	136,436	0.7%
Uninsured	9,180	4,913	-46.5%
Private Option Plans		4,038	
Emergency Visits			
Total	431,517	439,779	1.9%
Uninsured	102,469	66,075	-35.5%
Private Option Plans		25,638	
Outpatient Clinic Visits			
Total	1,063,138	1,124,701	5.8%
Uninsured	68,627	43,901	-36.0%
Private Option Plans		47,725	

For the period January 1-June 30, overall inpatient hospital admissions remained relatively stable compared with the same period in 2013, rising less than 1%. Within that small overall increase, the number of uninsured hospitalized patients who have no other source of payment for their healthcare fell by 46.5% in 2014.

Also, fears that the APO would make care so easily accessible that overcrowding in hospital emergency rooms would rise to unprecedented levels have not materialized, the study found. Total visits to emergency rooms increased less than 2% between the six-month spans in 2013 and 2014, despite approximately 25,600 patients with new policies purchased through the Health Insurance Marketplace. Hospitals also recorded 36,400 fewer emergency room visits by uninsured patients, a 35.5% decline from 2013 levels.

An increase in the number of patients having insurance policies purchased through the Health Insurance Marketplace apparently did drive an overall 5.8% jump in total non-urgent hospital outpatient clinic visits. That is an indication more patients are beginning to avoid emergency rooms as a point of entry into the healthcare system and instead are seeking care in

Paul Cunningham, Editor

Robert "Bo" Ryall, President & CEO; 419 Natural Resources Drive; Little Rock, Arkansas 72205; (501) 224-7878; facsimile (501) 224-0519

more appropriate settings such as physician offices and hospital outpatient clinics. At the same time, the total number of uninsured patients seen in those clinics also fell 36%.

A combination of more insured patients and lower uninsured volumes caused hospitals' uncompensated care losses related to uninsured patients to fall by 56.4%, dropping from \$122.6 million in 2013 to \$53.4 million in 2014 and yielding a total six-month benefit of \$69.2 million.

<u>Payments (\$ Millions)</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Uninsured Patients	\$21.4	\$22.0	-\$0.6	2.9%
Private Option Plans	\$58.0		\$58.0	
Total Payments	<u>\$79.4</u>	<u>\$22.0</u>	<u>\$57.4</u>	260.6%
Costs (\$ Millions)				
Uninsured Patients	\$75.3	\$144.6	-\$69.3	-48.0%
Private Option Plans	<u>\$57.5</u>		<u>\$57.5</u>	
Total Costs	<u>\$132.8</u>	<u>\$144.6</u>	<u>-\$11.8</u>	-8.2%
Net Losses	(\$53.4)	(\$122.6)	\$69.2	-56.4%

The survey completes a picture showing that the APO is successfully doing what it was intended to do. Recent reports already have documented that Arkansas leads all other states with the sharpest reduction in its uninsured rate among adult residents since the beginning of the year. So, the APO is definitely making healthcare more accessible. Knowing that the APO is reducing uncompensated care significantly and saving many rural Arkansas hospitals from the threats posed by growing uncompensated care burdens validates that legislators' support of the APO is equivalent to support not only of their communities and patients in those areas, but also of their local hospitals.



Preliminary SFY 2015 Medicaid Assessment Amounts

Last week, Arkansas Medicaid officials finalized calculations to determine the upper payment limit (UPL) amount available for the state's Medicaid Assessment Program during State Fiscal Year (SFY) 2015. The preliminary individual hospital numbers have been distributed via email to hospital CEOs showing their hospital's expected assessment fees and supplemental UPL payments that will apply for the year. Hospitals have a 30-day period in which to review their numbers and notify Medicaid if there are discrepancies.

Based on the calculations, total UPL dollars available for the Medicaid assessment (inpatient and outpatient) will increase from about \$192 million in SFY 2014 to \$231 million in SFY 2015. But, that includes approximately \$17 million for the final nine months of the fiscal year, for which UAMS has previously provided the matching funds. The matching funds were provided for the first quarter of SFY 2015. Total assessment fees payable by hospitals also will increase in SFY 2015, from \$59.5 million last year to \$71.4 million, due to a combination of the larger UPL and an increase in the state's Federal Medical Assistance Percentage (FMAP), which governs the state's Medicaid matching fund rate. For federal fiscal year (FFY) 2014, Arkansas' FMAP was 70.1%. During FFY 2015, which began October 1, that increased to 70.88%. The net UPL payout across SFY 2015, net of the assessment, will be around \$159.5 million. Those dollars make it possible for

Medicaid payments to cover about 80% of hospitals' overall costs of caring for Medicaid patients. Without the UPL, Medicaid would cover less than 65% of inpatient costs and only about 35% of outpatient costs.

As occurred last year, more recently audited Medicare Cost Reports (MCR) were used for calculating the overall UPL gap. The newer MCRs reflect the increase in the maximum Medicaid payment from \$675 per day to \$850 per day which occurred in SFY 2007. As Medicaid pays more, the difference between average Medicare and Medicaid payments is compressed, affecting the overall UPL gap.

The way in which the state's UPL amount available for the assessment program is calculated each year is prescribed by law, as is the manner for distributing supplemental payments among eligible hospitals. It is not a function of the Medicaid budget process primarily because no state general revenues are used for the program. Nevertheless, hospitals are strongly encouraged to carefully review the preliminary numbers, especially Medicaid paid days/discharges, used in the calculation for each hospital. If you find discrepancies that could have an effect on payments for the year, contact Brian Jones at the Medicaid office (Brian.Jones@arkansas.gov) or Craig Nunemaker (Craig.Nunemaker@arkansas.gov) within the 30-day period for responding.



FDA Approves Rapid Ebola Test for Hospital Labs

The Food and Drug Administration (FDA) last week authorized emergency use of a rapid test for Ebola virus by hospital laboratories certified to perform moderate or high complexity tests under the *Clinical Laboratory Improvement Amendments of 1988*. The emergency use authorization allows such hospitals to conduct the test in-house, without having to send the sample to an outside lab. The test is for detecting the virus in individuals with Ebola signs and symptoms in conjunction with epidemiological risk factors. It produces results in about one hour, according to FDA. For more on the BioFire Defense FilmArray Biothreat-E test, click on <http://www.fda.gov/emergencypreparedness/courterterrorism/medicalcountermeasures/mcmlegalregulatoryandpolicyframework/ucm182568.htm>.



The AHA Calendar

November 2014

- 4 Effective Utilization of NPPs Coding and Compliance Issues – Webinar T2935
- 5 Navigating Third Party Information Risk – Webinar NE-110514
- 6 Behavioral Health Integration in the Continuum of Care, AHA Classroom, Little Rock
- 6 Negotiation Effectiveness – Webinar T2936
- 11 Compliance Roundtable & Luncheon, AHA Classroom, Little Rock
- 12 AHEF Annual Face-to-Face Workshop, War Memorial Stadium, Little Rock
- 12 Compliance and the Board – Role of the Board for Corporate Responsibility – Webinar NE-111214
- 14 AAHQ Fall Conference & Business Meeting: CMS Changes: Impact on Quality, Baptist Hospital/Gilbreath Center, Little Rock
- 14 ASWHC 2014 Fall Conference, AHA Classroom, Little Rock
- 18 ARbestHealth Quality Seminar: Building Partnerships with Patients and Families to Improve the Experience of Care and Reduce Harm II, Crowne Plaza Little Rock

Information on all AHA educational programs and activities is available at <http://www.arkhospitals.org/events>.

Final Thoughts by Paul Cunningham

Tomorrow, November 4, 2014, is the most important day of the year for Americans. It's not our yearly observance of Independence Day, Memorial Day or Veteran's Day, which comes around next week. Neither is it New Year's Day, Christmas or Thanksgiving. And we won't be celebrating the birth of any past president or founding father.

On the other hand, it could be all of those special days wrapped up into one 17-hour period. That's how long it will take between the time election polls on the Atlantic Coast open until they close in Hawaii. It is Election Day, the one day which comes around every four years when we get to step into the tiny confines of a voting booth to do our part to continue The Great American Experiment, which is how French historian Alexis de Tocqueville viewed our impressive and unique brand of democracy back in the 1830s.

We each have the opportunity to cast our individual vote to decide who will represent us in the halls of our Capitols in Little Rock and D.C., at least for a while. So, whether you view voting as a right, a privilege, a duty, a responsibility or an obligation, I hope you'll be right in the middle of the crowd at your precinct, standing in line, awaiting your turn to complete a ballot to indicate your choices, assuming that you didn't vote early.

While in line, in case you wonder if your vote actually matters or if it's worth the time and effort, ponder on these thoughts about voting written down long ago by just a few of the men who led this country through some trying times in its infancy, so that you have the opportunity that you're waiting for.

Thomas Jefferson, often considered the architect of many of America's democratic institutions, wrote, "Governments are instituted among men deriving their just power from the consent of the governed." We, the aforementioned "governed," give that consent through our vote.

John Jay, a delegate to the First Continental Congress and later the first Chief Justice of the Supreme Court of the United States, said, "The Americans are the first people whom Heaven has favored with an opportunity of deliberating upon and choosing the forms of government under which they should live." The Chief Justice made it sound as if voting is an obligation, after all.

A few years before coming out on the unfortunate end of a duel with vice president Aaron Burr, Alexander Hamilton, the first U.S. Secretary of the Treasury and one of America's first constitutional lawyers, said, "A share in the sovereignty of the state, which is exercised by the citizens at large in voting at elections, is one of the most important rights of the subject, and in a republic ought to stand foremost in the estimation of the law."

John Adams, our second president, impressed upon us the significance of our vote when he wrote, "We electors have an important constitutional power placed in our hands: we have a check upon two branches of the legislature, as each branch has upon the other two; the power I mean of electing at stated periods, one branch, which branch has the power of electing another. It becomes necessary to every subject then, to be in some degree a statesman: and to examine and judge for himself of the tendencies of political principles and measures."

John's cousin, Samuel Adams – the Continental Congress vet, statesman and namesake of a famous brew – added, "Let each citizen remember at the moment he is offering his vote that he is not making a present or a compliment to please an individual – or at least that he ought not so to do; but that he is executing one of the most solemn trusts in human society for which he is accountable to God and his country."

Then, there was William Penn, known as the first great hero of American liberty. He said, "Governments, like clocks, go from the motion men give them." Every time we exercise our vote, we help to rewind the clock for another cycle.

Voting is a birthright for each of us, one that multiple millions of people in other nations envy. So, don't fritter it away. Get out tomorrow and cast your ballot. Vote your choice, your conscience and your convictions. It's immaterial whether you vote blue, red, green or gray. Just do it. If you don't like the way things turn out, be ready to try again to change things the next time around. As Jefferson once observed, "Through their right of suffrage, the people exercise their sovereign power over government. If things are not going right, they can throw one set of interests out and elect another that promises a revision of the course that government has taken."

