



Impact of ACA's Medicaid Expansion on Hospital Utilization



Methodology

- ▶ Identify people who enrolled in a Medicaid expansion category at any point in the first quarter of 2014.
 - ❑ Included both 98,000 people who transferred from PAC on January 1, 2014; and
 - ❑ 114,000 new enrollees who qualified due to the expansion.

- ▶ Use CRISP's Master Patient Index to identify all hospital admissions/visits by expansion cohort in calendar 2013 and calendar 2014.

- ▶ All hospital utilization by the cohort is captured – no matter who the expected payer was.

Utilization by Expansion Population

- ▶ \$542 Million of charges in CY 2013 for people enrolled in ACA Expansion in 1st Quarter of CY 2014.
- ▶ \$762 Million of charges in CY 2014 for people enrolled in ACA Expansion in 1st Quarter of CY 2014.
- ▶ Enrollees in first quarter explain almost all of the net charge growth for patients with an expected payer of Medicaid/Self-Pay/Charity
 - ▶ \$220 M increase in CY 2014 charges associated with people enrolling in expansion in Quarter 1
 - ▶ \$244 M increase in net charge growth for all CY 2014 patients with expected payer of Medicaid/self-pay/charity

ECMADS Trends – All Medicaid / Self-Pay / Charity

	2013 ECMAD	2014 ECMAD	Diff	2013 Avg Charge	2014 Avg Charge	Diff @ 2013 Charge
Medicaid	204,508	245,904	41,396	\$ 12,906	\$ 13,000	\$534,256,776
Self/Charity	60,875	33,416	(27,459)	\$ 11,507	\$ 11,464	(315,970,713)
Total	265,383	279,320	13,937			\$218,286,063

Hospital Charges for Medicaid Expansion Population

People who Enrolled During First Quarter of 2014

(\$ Millions)

	Q1	Q2	Q3	Q4	Total
CY 2013	\$121	\$129	\$143	\$150	\$542
CY 2014	198	194	193	177	762
Change	77	65	50	27	220
% Change	64%	51%	35%	18%	40%
All Payer Charge Growth	2%	1%	4%	0%	2%

Charge Trends Vary by Expansion Population

(\$ in Millions)

PAC Population (98,000 people)					
	Q1	Q2	Q3	Q4	Total
CY 2013	\$77	\$81	\$89	\$86	\$334
CY 2014	99	109	112	103	423
Change	22	27	23	17	90
% Change	29%	34%	26%	19%	27%

Non-PAC Expansion Population (114,000 people)					
	Q1	Q2	Q3	Q4	Total
CY 2013	\$43	\$47	\$54	\$64	\$209
CY 2014	99	86	81	74	340
Change	56	39	27	10	131
% Change	129%	81%	49%	16%	63%

Product Line Observations

- ▶ Charge growth concentrated in a few product lines
 - ▶ Surgeries (general, orthopedic, major, and minor);
 - ▶ Cancer treatment (radiation, chemotherapy, infusions)
 - ▶ Cardiovascular
 - ▶ Clinic services
- ▶ Growth in number of admissions/visits concentrated with clinics
 - ▶ Almost 20,000 additional clinic visits
- ▶ Visits/Admissions also rose substantially in the following product lines
 - ▶ Cancer treatment (radiation, chemotherapy, infusions)
 - ▶ Cardiovascular
 - ▶ Psychiatry
 - ▶ Surgical procedures

Utilization Uptick

- ▶ Observations about Medicaid Utilization Growth
 - ▶ Growth slowing over course of CY 2014
 - ▶ Reflects pent up demand and may be largely temporary (e.g. orthopedics/surgery)
 - ▶ Growth Funded in FY 2015 by excess UCC in rates

Recommendation: Include Funds in 2016 Rates to Cover Ongoing Impact of Uptick in Utilization by Expansion Population

▶ Proposal

- Calculate ongoing growth by applying growth rate for Quarter 4 of 2014 of 21% to CY 2013 base
 - Actual Growth was 18% but overall charges did not increase statewide for Quarter 4
 - Actual adjusted upward for statewide charge growth during CY 2014 of 2% and price leveling at facilities with temporary rate reductions.
- Apply 50% Variable Cost Factor
- \$57 M Rate Adjustment
 - $\$542 \text{ M (CY 2013 base)} \times .21 \times .50 = \57 M
- Allocate increased funding across hospitals based on hospital growth from 2013 to 2014
 - Each hospital receives 26% of its growth
 - Price leveling applied for hospitals with significant rate adjustments in 2014

Hospital Specific Adjustments

See Handout #1



Out-of-State Medicaid Utilization Growth

- ▶ Significant growth in Out-of-State Medicaid utilization observed at some border hospitals
 - ▶ Significant growth in Western Maryland and Washington, DC suburbs
 - ▶ Data captured by examining out-of-State claims with expected payer of Medicaid and out-of-state trends in Other Government Payer (HSCRC guidance directs hospitals to identify out-of-State Medicaid as expected payer of Other Govt. Payer)
- ▶ Staff proposes funding 26% of growth from CY 2013 to CY 2014 (same share of in-State Medicaid growth funded).
- ▶ \$2.7 Million added to hospital rates in FY 2016.

Border Hospitals with Significant Growth in Out-of-State Medicaid Utilization

	CY 13 to CY 14 Change	26% Adjustment
GARRETT	\$780,454	\$202,918
HOLY CROSS	281,068	73,078
MERITUS	674,509	175,372
PRINCE GEORGE'S	2,025,133	526,535
SHADY GROVE	103,736	26,971
SUBURBAN	220,095	57,225
EASTON	135,976	35,354
WASHINGTON		
ADVENTIST	1,730,707	449,984
WESTERN MARYLAND	3,904,881	1,015,269
FT. WASHINGTON	109,947	28,586
CHARLES REGIONAL	246,783	64,164
PENINSULA REGIONAL	178,376	46,378
Total	\$10,391,665	\$ 2,701,833



Uncompensated Care (UCC)

Pre- and Post- ACA Expansion Trends in Medicaid and Self-Pay/Charity Charges

- ▶ Compare CY 2013 (pre-expansion) to CY 2014 (post-expansion) data
 - ❑ Use HSCRC Case Mix data which includes field for expected primary payer
 - ❑ Self-Pay Charity Trends for CY 2013 and CY 2014 shared with hospitals
 - ❑ Analytical limitations identified as some hospitals reported Medicaid pending cases as Self-pay/Charity in 2013 and Medicaid in 2014

- ▶ Medicaid Pending Issue Resolved Using CRISP Matching of Medicaid Enrollment Files with HSCRC Case Mix Data
 - ❑ CRISP used Master Patient Index to identify hospital admissions/visits by Medicaid enrollees during their enrollment period
 - ❑ Analysis covered January to June of 2013 and 2014
 - ❑ Inpatient charges for 2013 PAC enrollees excluded from analysis

Expected Payer for Charges Identified by CRISP as Incurred During Medicaid Enrollment Period

Primary Expected Payer in HSCRC Data	2013	2014
Medicare	33%	30%
Medicaid	55%	62%
Self-Pay/Charity	4%	1%
Commercial	7%	7%
Workers' Comp	0%	0%
Other	1%	1%
	100%	100%

Comparison of CRISP Results to Case Mix Data

- ▶ Some charges reported in case mix as Medicaid were not associated with a Medicaid enrollee during a Medicaid coverage period.
 - ❑ These charges were re-categorized as self-pay charity
 - ❑ Case Mix Accuracy Rate of 87% in CY 13 and 91% in CY 14

- ▶ Some charges reported in case mix as self-pay/charity were associated with Medicaid enrollee during a Medicaid coverage period
 - ❑ These charges were re-categorized as Medicaid
 - ❑ Case mix accuracy rate of 79% in CY 13 and 85% in CY 14

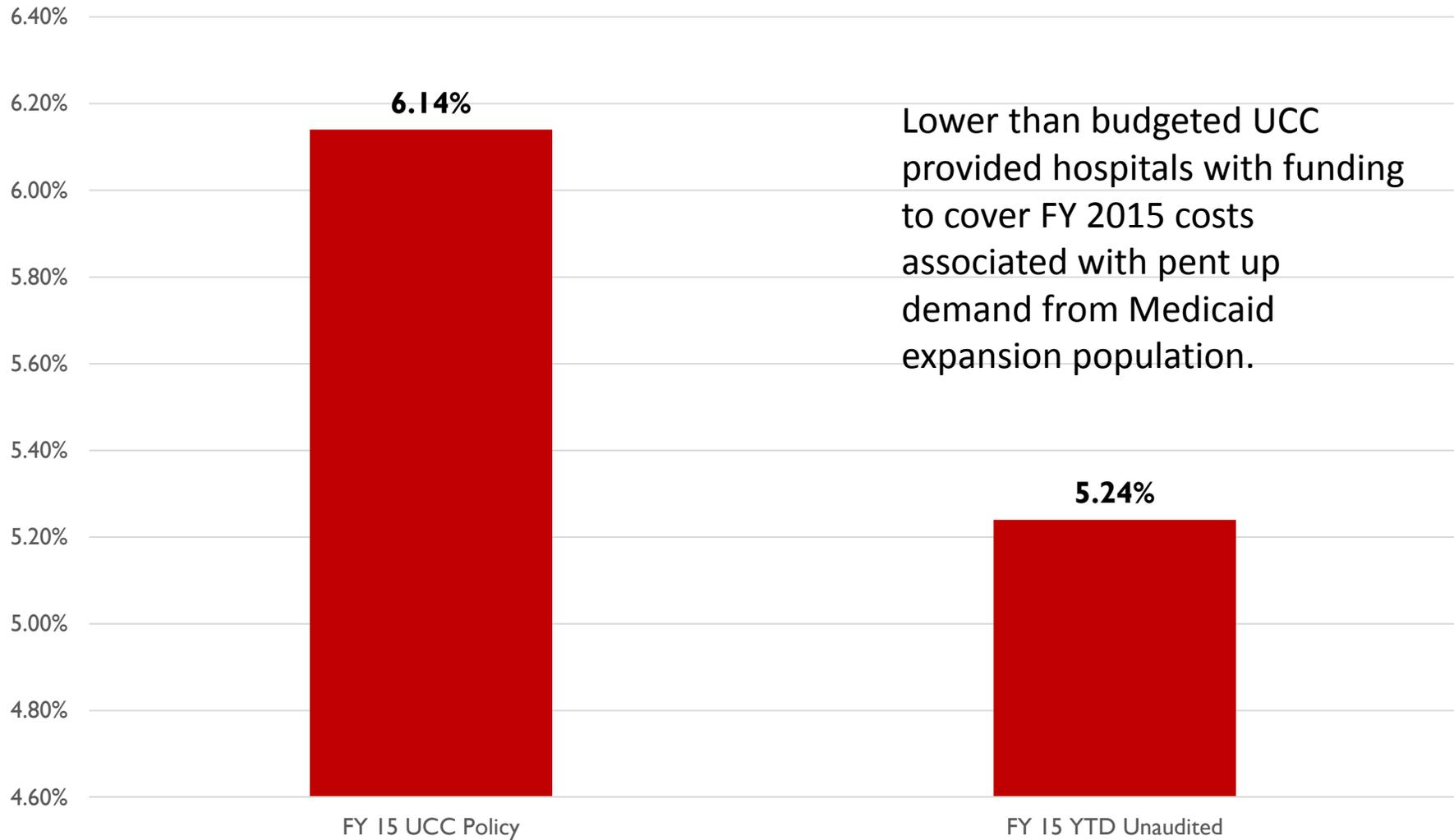
	2013	2014	Change
Self-Pay/Charity Charges in Case Mix Data	357	183	
Remove Charges Associated with Medicaid Coverage Period	-75	-27	
Add Charges recorded as Medicaid but not Associated w/ Medicaid Coverage Period	165	140	
	446	296	-150

Data Supports Removing \$100 M+ from FY 2016 Rates

Annualized Self-Pay/Charity Decline (\$150 M x 2)	\$299 M
UCC Policy Adjustment for PAC In FY 2015 Rates	<u>-\$166 M</u>
UCC/Charity Decline Exceeds PAC Adjustment	= \$133 M

- ▶ Six month data annualized rather than updating for full CY 2014 experience as Medicaid enrollment files for more recent periods are less reliable due to retroactive eligibility determinations.

FY 2015 UCC Policy Compared to Year to Date Experience (Unaudited Data from Financials thru January)



Hospital Specific Adjustments

▶ Categories of Adjustments

- ▶ Price leveling for hospitals with significant adjustments to rates in CY 2014.
- ▶ Additional review of one hospital's data underway.
- ▶ Out-of-State Medicaid.
 - ▶ Some hospitals reported out-of-State Medicaid charges as Medicaid. These visits/admissions did not match Maryland Medicaid files and were re-classified as self-pay/charity.
 - ▶ If the out-of-State Medicaid charge amounts in CY 2013 and CY 2014 were about the same, there was no impact on the UCC analysis.
 - ▶ If out-of-State Medicaid charge amounts grew substantially in CY 2014, they would be treated as self-pay resulting in an overstatement of CY 14 self-pay and distorting the two-year trend.
 - For border hospitals with significant changes in the out-of-State Medicaid from CY 2013 to CY 2014, the out-of-State Medicaid charges were removed from the analysis of self-pay/charity trends.

Hospital Specific Data

See Handout #2

2014 Write-off and Recovery Data

Captures Write-offs & Recoveries During CY 2014: Much of Data pertains to prior years

(\$ in Millions)

	Write-Off Amount	Payer Share of Write-offs	Total Billed Amount	Write-off as a % of Bill
Self-Pay/Charity/Medicaid	\$586	58%	\$1,229	48%
Commercial	265	26%	1,630	16%
Medicare	116	11%	1,264	9%
Workers' Comp	14	1%	53	26%
Other	31	3%	84	37%
Total	\$1,012		\$4,260	

	Recovery			
Self-Pay/Charity/Medicaid	\$104			
Commercial	128			
Medicare	44			
Workers' Comp	7			
Other	11			
Total	\$294			

	Write-off Net of Recovery	Payer Share of Net	Total Billed Amount	Write-off as % of Bill
Self-Pay/Charity/Medicaid	\$482	67%	\$1,229	39%
Commercial	\$137	19%	1,630	8%
Medicare	\$72	10%	1,264	6%
Workers' Comp	\$7	1%	53	13%
Other	\$20	3%	84	24%
Total	\$718		\$4,260	



FY 2016 Update Factor

Update Model

See Handout #3

Maximum Allowable All Payer Growth

		First Half of CY 14	Projected FY 15	Cumulative	Pro Forma FY 16	Cumulative FY 16
Maximum Per Capita Revenue Growth Allowance	A	3.58%	3.58%	5.43%	3.58%	9.21%
Per Capita Growth for Period	B	1.13%	1.78%	2.35%	2.07%	4.47%
Savings from UCC/MHIP Changes w/no Impact to Hospital Bottom Line	C		1.09%	1.09%	1.34%	2.44%
Per Capita Growth for Period with Adjustments	D	1.13%	2.87%	3.45%	3.40%	6.97%
Cumulative Maximum <u>Per Capita</u> Revenue Capacity	E = A – D					2.24%
Population Growth	F					0.57%
Cumulative Remaining FY 16 Revenue Capacity	G = (1+ E) *(1+F)					2.82%

Performance on Medicare Savings Test

- ▶ Data on Maryland's performance in generating Medicare savings in Year 1 of the model contract is not yet complete.
- ▶ Untested national Medicare per beneficiary fee-for-service hospital revenues included in the savings test appear likely to grow about 0.5% in CY 2014.
- ▶ HSCRC collected data on Medicare fee-for-service charges per Maryland resident at Maryland hospitals show a -1.1% growth rate in CY 2014.
- ▶ Based on this data, it appears Maryland will beat the national per beneficiary growth rate by 1.6 percentage points.

Medicare Savings Target CY 15 & CY 16

- ▶ Model contract was developed with savings goal that equated to 0.5% differential per year between Maryland and the nation.
- ▶ Staff proposes maintaining contract goal of 0.5% savings in FY 2016.
- ▶ Staff proposal balances apparent 2014 success with uncertainty about future national growth rates.
 - ▶ Actuaries have overstated Medicare growth in recent years
 - ▶ Preserving a cushion hedges against adverse performance in future years and/or lower than expected national growth rates
 - ▶ Building upon year one success critical to State's ability to maintain waiver over long-term

Projected National Medicare Hospital Spending Growth Rates

Per Capita Hospital Spending Projections

Office of Actuary Estimates

CY	Feb-14 Estimate	Feb-15 Estimate	% Point Difference
2014*	1.7%	1.5%	-0.2%
2015	1.7%	0.3%	-1.4%
2016	2.3%	2.4%	0.1%
2017	3.3%	3.5%	0.2%
2018	5.2%	5.0%	-0.2%

*Medicare FFS data received by HSCRC suggests national growth at 0.5% for CY 2014.

Medicare Savings Targets & Outlook

Growth to Achieve Required Savings	Projected CY 2014	CY 2015	CY 2016
Projected National Growth (Actuary forecast)	0.5%*	0.3%	2.4%
Difference between National & Maryland Growth for State to Achieve CY 14 est. and Targets for CY 15 & CY16	<u>-1.6%</u>	<u>-0.5%</u>	<u>-0.5%</u>
Maryland Growth Rate to Achieve Target Savings	-1.1%	-0.2%	1.9%
Resulting Savings (Estimate)	\$90 M	\$117 M	\$139 M

Allowable Per Capita Growth to Maintain Medicare Growth at National Rate

Staff Proposal	National Medicare Growth	Maryland Below Nation	Maryland Growth
CY 2015	0.3%	-0.5%	-0.2%
CY 2016	2.4%	-0.5%	1.9%

Two Year Average to Achieve Target Medicare Savings	0.85%
Difference Statistic between Medicare and All Payer	2.0%
Allowable All Payer Per Capita Growth	2.85%
Population Growth	0.57%
Conversion to All Payer Revenue Growth	3.44%

Difference Statistic between Medicare and All Payer

Difference Statistic	All Payer	Medicare	Diff
FY 2009	5.4%	2.0%	3.40%
FY 2010	2.2%	-2.1%	4.30%
FY 2011	4.5%	2.9%	1.60%
FY 2012	5.0%	1.9%	3.10%
FY 2013	1.2%	-1.1%	2.30%
Avg. 2009 to 2013	3.63%	0.69%	2.94%
FY 2014	1.63%	-0.92%	2.55%
Last Year Commission used 2.0%.			

Comparison of Medicare Savings to Draft Balanced Update Results

	All-Payer Maximum to achieve Medicare Savings	Modeled All-Payer Growth	Difference
Revenue Growth	3.44%	2.65%	-0.79%
Per Capita Growth	2.85%	2.07%	-0.78%