



NCHA Update

▶ 2024 NCHFMA Summer Meeting

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Uniting hospitals, health systems and care providers for healthier communities

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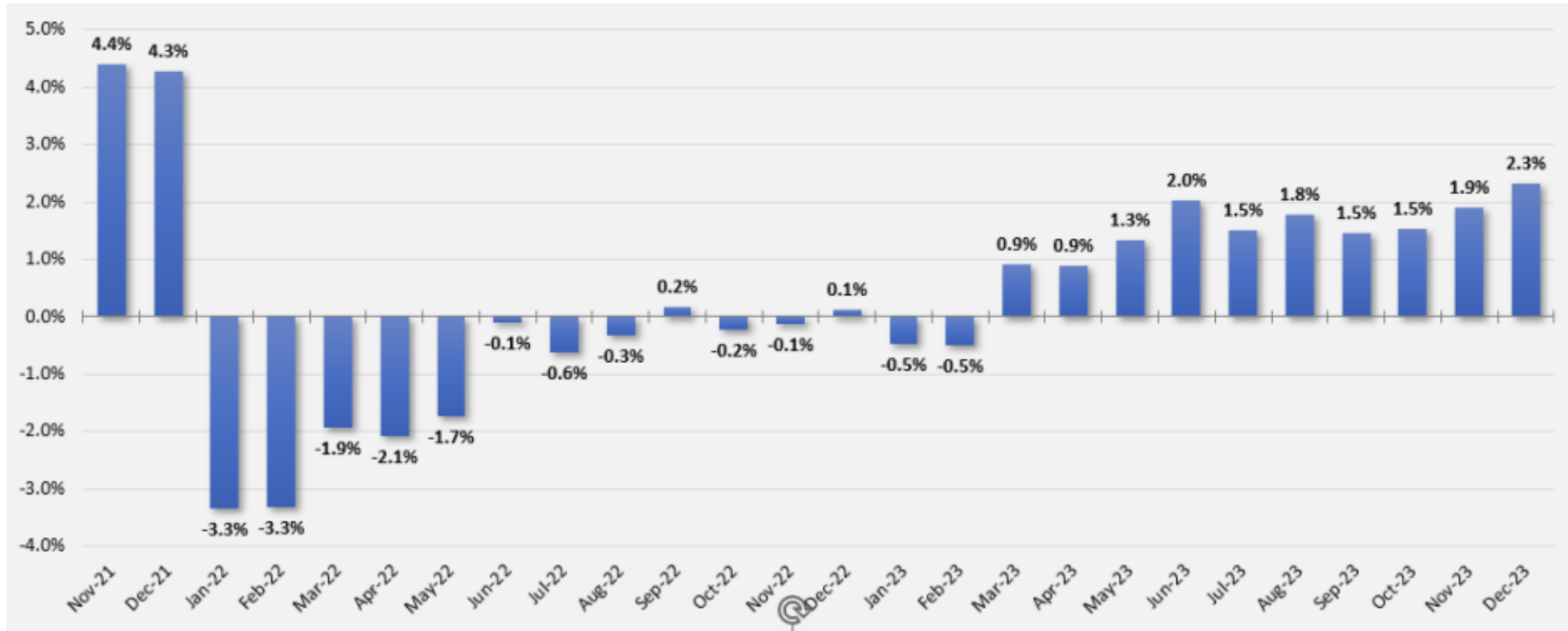
Agenda

- ▶ Financial state of NC hospitals
- ▶ NC Medicaid Updates
- ▶ HASP update
 - Medical Debt Relief and Mitigation
- ▶ Wrap up and questions



Financial State of NC Hospitals

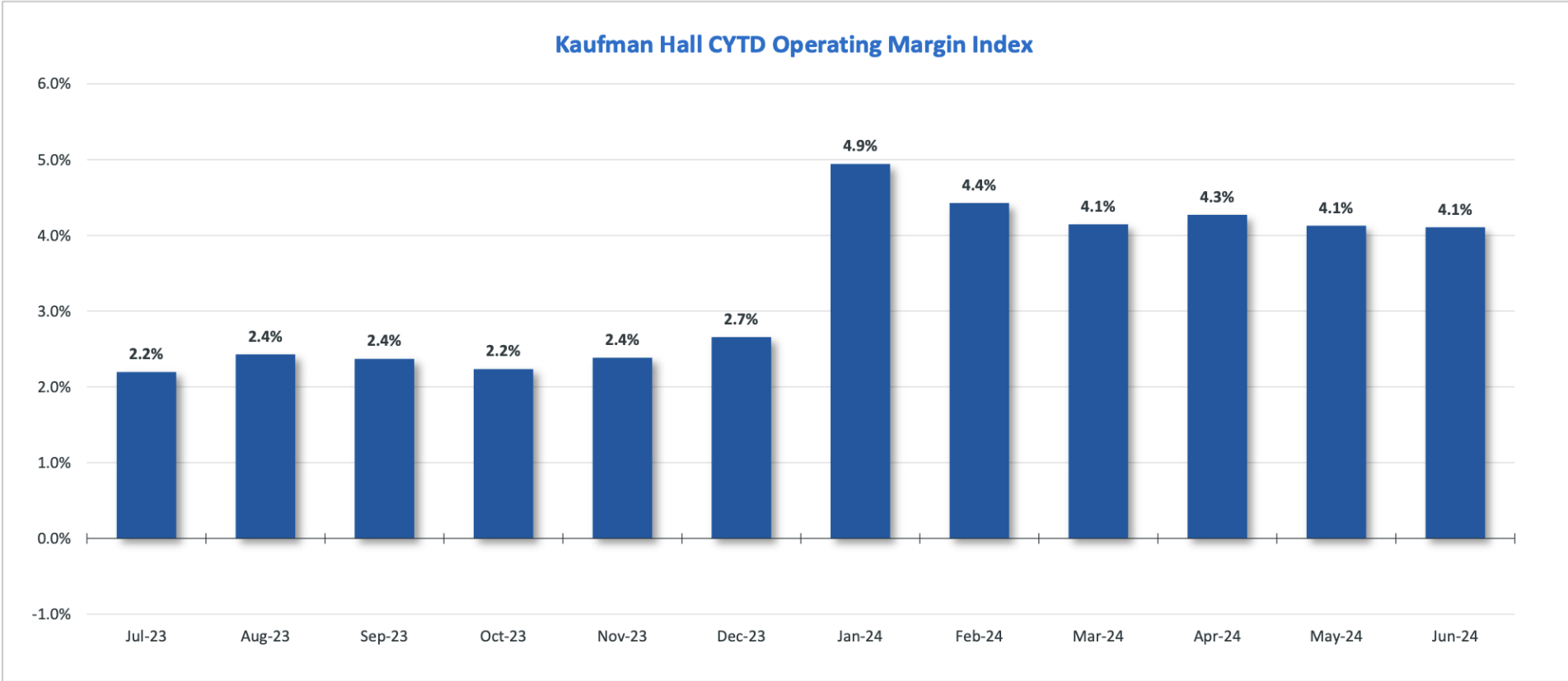
U.S. Hospital YTD Operating Margin Index November 2021-December 2023



* NOTE: THE KAUFMAN HALL HOSPITAL OPERATING MARGIN AND OPERATING MARGIN INDEX IS COMPOSED OF THE NATIONAL MEDIAN OF OUR DATASET ADJUSTED FOR ALLOCATIONS TO HOSPITALS FROM CORPORATE, PHYSICIAN, AND OTHER ENTITIES.

► <https://www.kaufmanhall.com/insights/thoughts-ken-kaufman/numbers-behind-national-hospital-flash-report>

Operating Margin



Kaufman Hall, National Hospital Flash Report (June 2024 Metrics)

* Note: Hospitals only. The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities. Represents calendar year-to-date and resets each January.

▶ https://www.kaufmanhall.com/sites/default/files/2024-08/KH-NHFR_June-2024-Metrics.pdf



Big Changes within past year for NC

- ▶ Medicaid Expansion launched December 1, 2023
- ▶ HASP
 - SFY 2023 HASP – one year of HASP accomplished
 - SFY 2024 and 2025 HASP – policy changes
- ▶ Transition to Tailored Plans launched July 1, 2024
- ▶ NCHA and its members negotiated changes to CON as part of HASP & expansion package

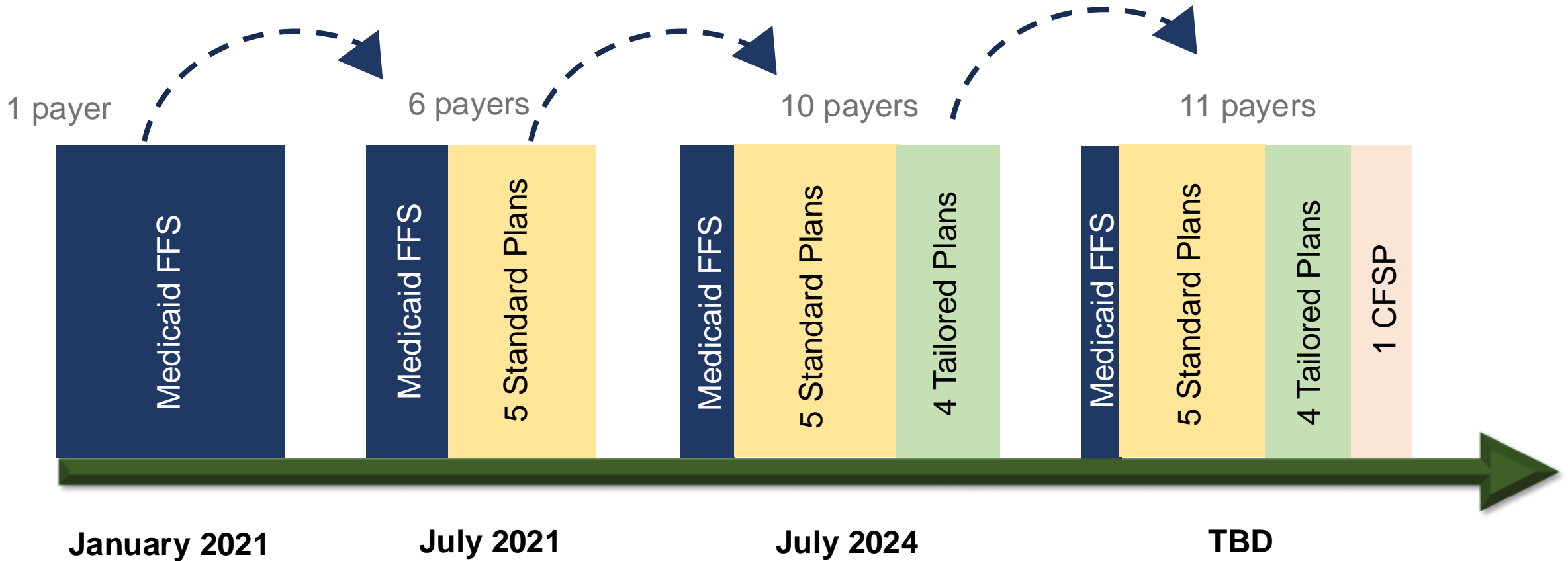
Reminder of CON Concessions from 2023

- ▶ House Bill 76: Expansion, HASP, and CON
 - **Immediate changes to CON:** removing psych, chemical dependency from CON, increased dollar amounts for diagnostic center (\$3M) and replacement equipment (\$3M)
 - **November 21, 2025:** For counties over 125,000, ASCs exempted from CON
 - **November 21, 2026:** For counties over 125,000, MRIs exempted from CON

NC Medicaid

▶ Updates

NC Medicaid – Managed Care Journey



Tailored Plans

- ▶ Focuses on health needs related to serious mental illness, severe substance abuse, intellectual/developmental disabilities, and traumatic brain injuries
- ▶ Comprehensive plan covering behavioral and physical health
- ▶ Launched July 1, 2024 (~222,000 enrollees)
 - Flexibilities in place currently to assist with transition, which will terminate on October 1
 - Differing processes for prior authorizations and claims processing
 - Transition journey ahead (think Standard Plan implementation)

Children and Families Specialty Plan

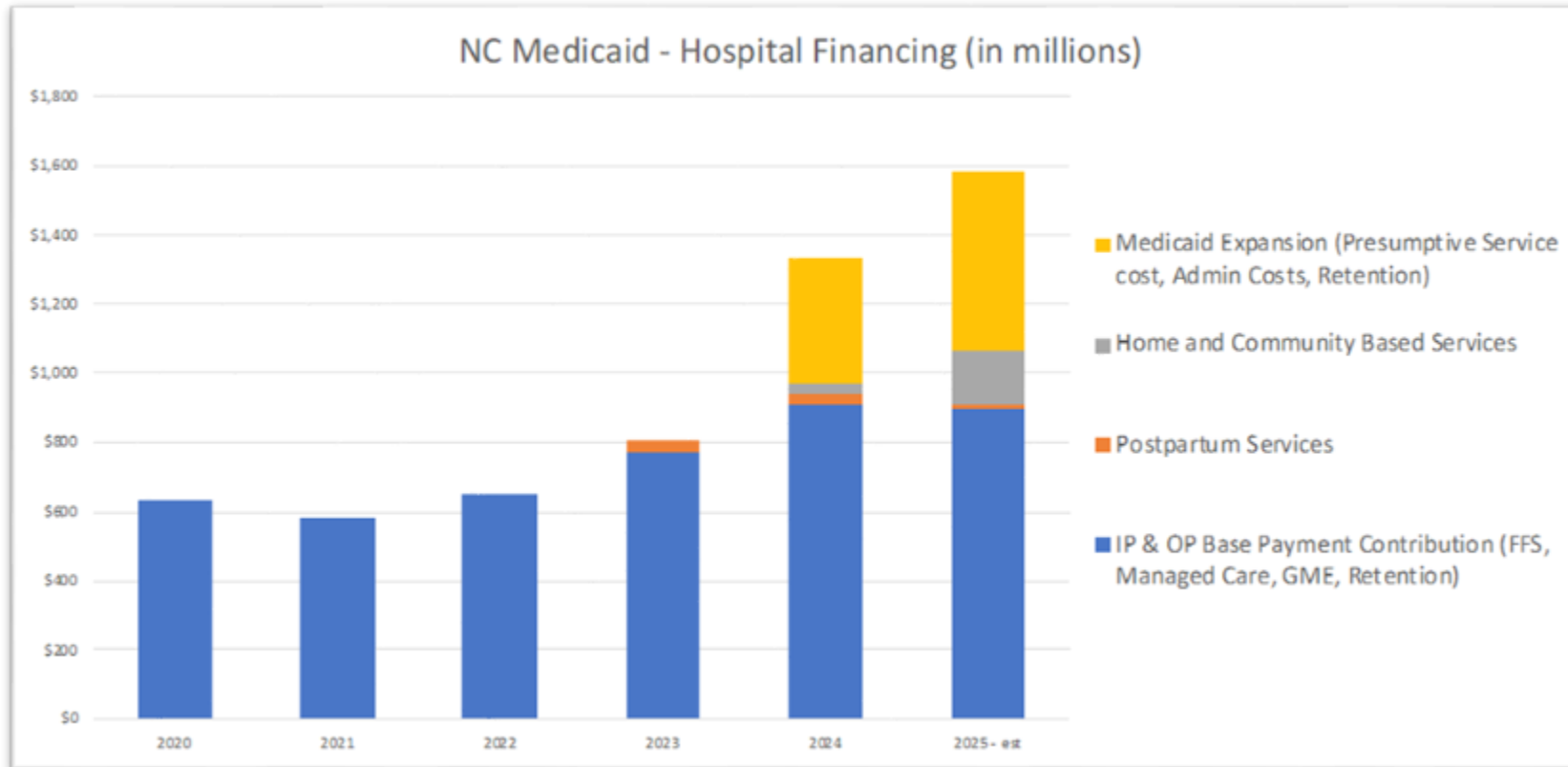
- ▶ Continued transition from Medicaid Direct to managed care
- ▶ Creates a single statewide plan for current and former foster care children and youth, and their families
- ▶ Blue Cross Blue Shield NC recently selected as managing plan
- ▶ Launch date TBD

Medicaid Rebase

- ▶ DHB has requested additional funding from NCGA to cover the additional funds needed for the second half of the biennium budget (for SFY25)
 - Decreased FMAP occurring October 1 (increases state's share)
 - Costs exceeding budgeted
- ▶ DHB requesting legislative action to pass budget and include additional funding requests
- ▶ <https://webservices.ncleg.gov/ViewDocSiteFile/86963>
- ▶ <https://www.northcarolinahealthnews.org/2024/07/18/no-state-budget-this-year-means-medicaid-could-run-low/>

Hospital Financing + Medicaid Expansion

Hospital Financing - NC Medicaid

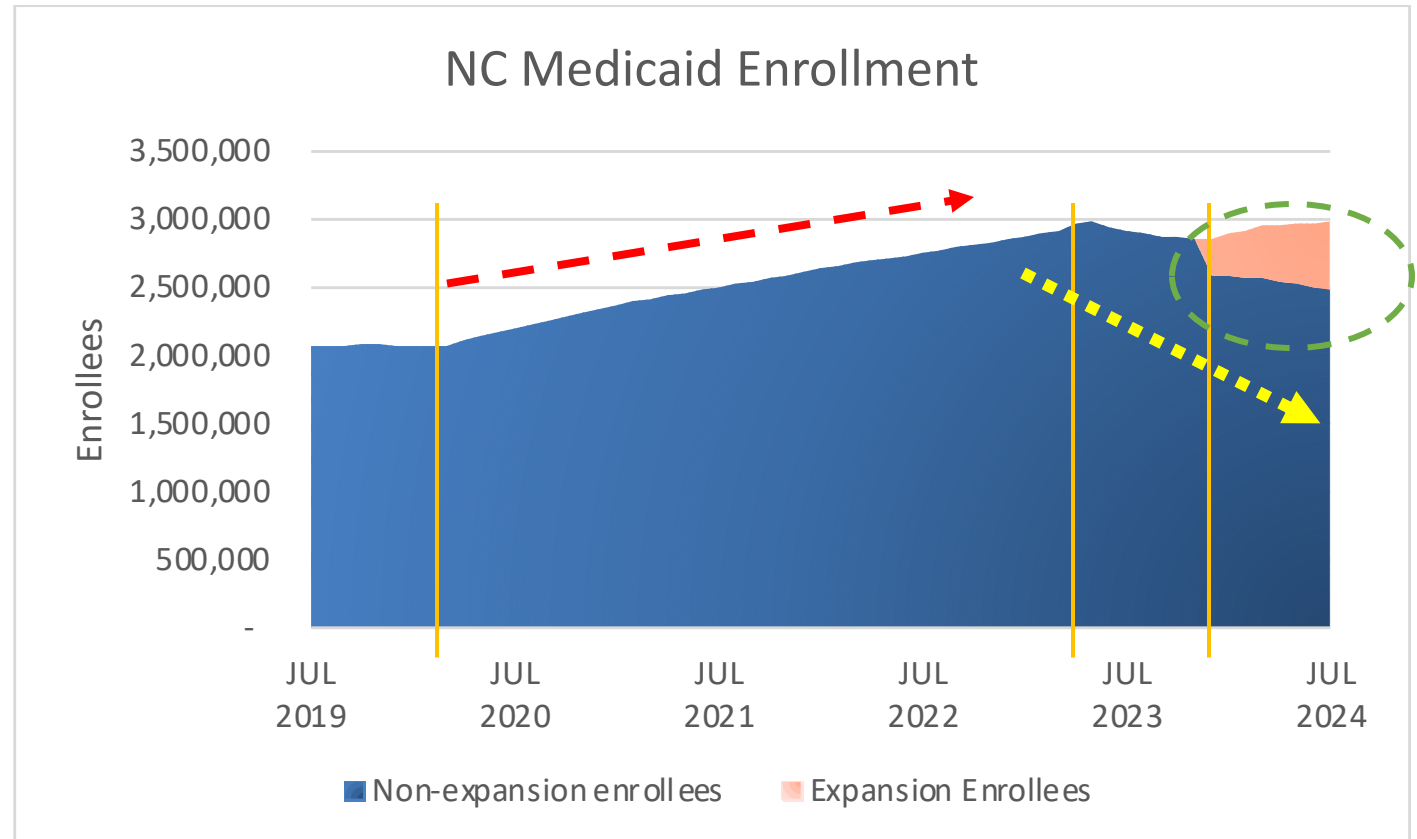


▶ Excludes HASP financing

Non-expansion and expansion enrollees

▶ A lot happening here:

- Continuous enrollment during PHE (2020 to 2023)
- Unwinding of the continuous enrollment
- Expansion launches Dec 2023



▶ Enrollment data sourced from NCDHHS. <https://medicaid.ncdhhs.gov/reports/nc-medicaid-enrollment-reports>

Medicaid Expansion Financing

- ▶ NC hospitals provide the state's share (10% of program costs) through IGTs (intergovernmental transfers) and/or tax assessments

in millions

	SFY24 Q2	SFY24 Q3	SFY24 Q4	SFY25 Q1
	Oct	Jan	Apr	
Hospitals funds paid in quarter	\$ 62.3	\$ 165.3	\$ 166.5	\$ 188.6
Reconciliation 2 quarters behind			\$ (35)	\$ (80)
	\$ 62.3	\$ 165.3	\$ 132.0	\$ 108.7
Hospitals funding as SFY25 Q1				\$ 468.2

Reimbursement – Medicaid Expansion

No difference in reimbursement
from non-expansion claims
(Model C Rates)

HASP financing is 10% (versus 30-
35% for non-expansion claims)

Healthcare Access and Stabilization Program (HASP)

- ▶ Current and future impact

Purpose of HASP (State Directed Payment Programs)

- ▶ HASP is a State Directed Payment program allowable by CMS to allow states to direct payments in connection with implementing delivery system and provider payment initiatives
- ▶ States must demonstrate that each directed payment arrangement expects to advance at least one goal and objective of the State's quality strategy.
- ▶ Funds represent the difference between what NC Medicaid pays and non-governmental managed care plans pay for the same services, i.e. "the managed care gap."

2023 HASP

▶ 2023 goal and objective:

- Goal: Ensure appropriate access to care
 - Ensure timely access to care
 - Maintain Medicaid provider engagement

Gross HASP payments to NC hospitals	\$2.9B
Hospital-funded non-federal share	(\$811M)
Net HASP proceeds to hospitals	\$2.1B

SFY 2024 and SFY 2025 HASP

SFY24 (max values)

Gross HASP payments to NC hospitals	\$4.1B
Hospital-funded non-federal share	(\$1.2B)
Net HASP proceeds to hospitals	\$2.9B

► Includes:

- Non-expansion, expansion claims

SFY25 (max values)

Gross HASP payments to NC hospitals	\$6.3B
Hospital-funded non-federal share	(\$2.0B)
Net HASP proceeds to hospitals	\$4.3B

► Includes:

- Non-expansion, expansion and Tailored Plans claims

► *Max values and financing of non-federal share are only estimates*

► *Note: Total NC IP and OP claim volume supports the final HASP statewide dollars for NC hospitals.*

SFY24 & 25 HASP

- ▶ SFY 24 and 25 HASP payments include Medical Debt Relief and Mitigation policy established by NC DHHS
 - Hospitals that opt-in receive **higher** HASP reimbursement
 - Hospitals that opt-out receive **lower** HASP reimbursement
- ▶ Hospitals commit in SFY24 to implement policy as directed by NC DHHS for higher reimbursement from HASP
- ▶ Hospitals report implementation progress to be eligible for continued higher reimbursement for SFY25

Where are we now?

- ▶ All 99 acute care hospitals participating in the HASP program have opted in to the Medical Debt Relief and Mitigation policy
- ▶ NCHA currently vetting presumptive eligibility and debt forgiveness third party companies to assist hospitals with selecting vendors
 - Aim to achieve economies of scale and assist in partnership

Medical Debt Relief (Summarized)

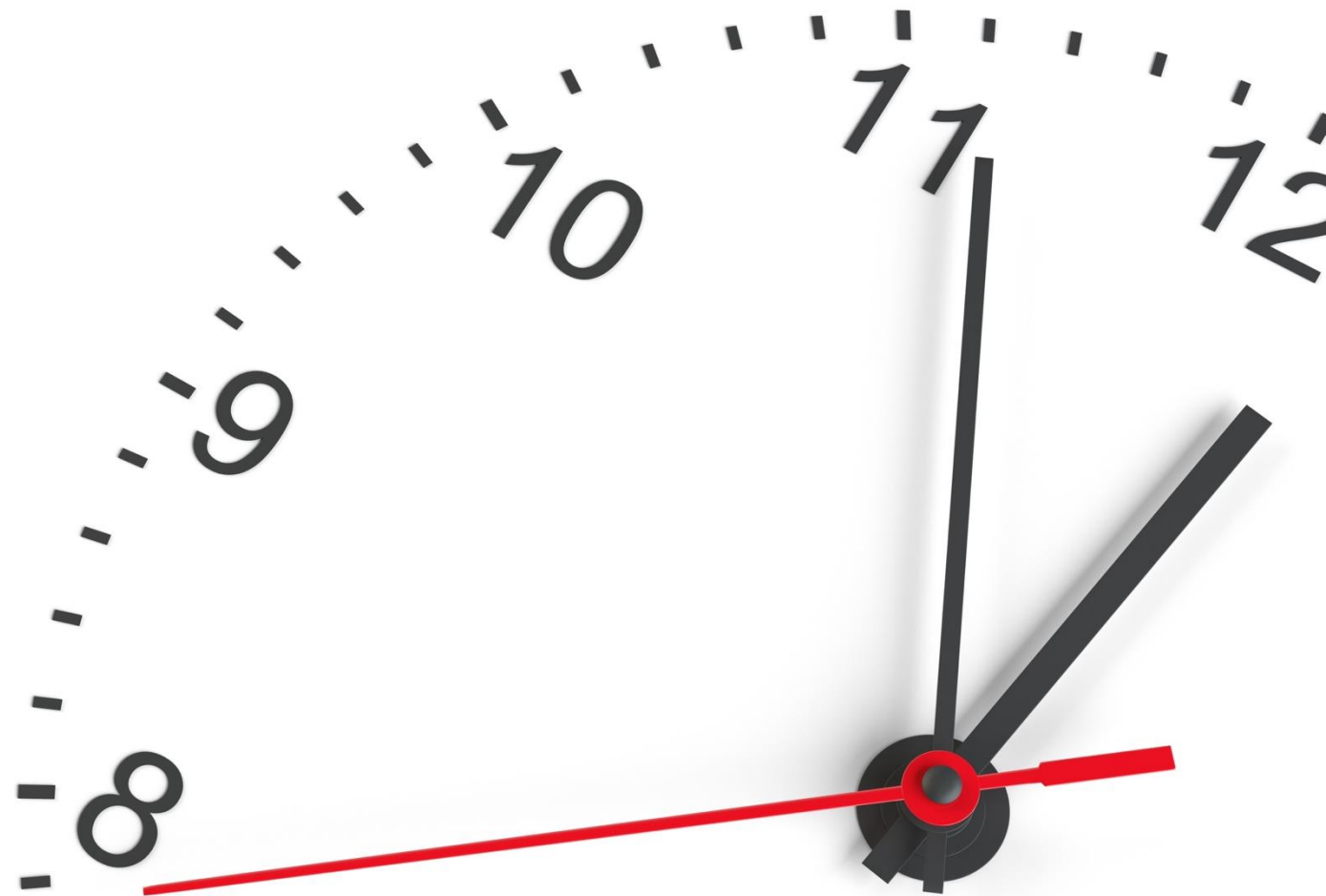
- ▶ Hospital forgives all unpaid patient medical debt dating back to January 1, 2014 for North Carolina residents who are currently enrolled in Medicaid // July 2025
- ▶ Reclassify any past debt as charity care for North Carolina residents enrolled in Medicaid for past medical debt // after July 2025
- ▶ Relieve/donate all medical debt deemed uncollectible dating back to January 1, 2014 for any NC residents with incomes at or below 350% FPL or for whom total debt exceeds 5% of annual income (other criteria/provisions included) // Over next two years
- ▶ Policy need not apply to debts associated with cosmetic surgery, defined by DHB Clinical Policy

Medical Debt Mitigation (Summarized)

- ▶ Develop charity care policy outlined by NC DHHS (300% FPL sliding scale; 100% charity for FPL below 200%) for uninsured and insured individuals (other criteria/provisions included) // January 2025
- ▶ Presumptive eligibility for certain non-income base criteria // January 2025
- ▶ Limitations on sale of debt to third parties and debt collection // July 2025
- ▶ Presumptive eligibility for income-based criteria up to 300% FPL // January 2026
- ▶ Policy covers all medically necessary services and not required to cover costs associated with cosmetic surgery, as defined by DHB

SFY24 HASP Timeline

- ▶ **Service period: July 1, 2023 to June 30, 2024**
- ▶ Interim financing and pending payments – in process
- ▶ Reconciliation to occur early CY 2025



SFY 25 HASP Timeline

- ▶ SFY25 financing and payments will occur after SFY24 reconciliation payments (April – June 2025)
- ▶ Federal rule only allows hospitals to be taxed not to exceed 6% of their net patient revenue
 - Hospitals will likely see more quarterly financing and payments starting with SFY26 to ensure 6% is not exceeded
 - The State measuring 6% test on a rolling 4-quarter basis

CMS Final Rule on Directed Payment Plans

- ▶ Allow states to utilize SDPs for non-network providers to ensure access to care SFY26
- ▶ Requires providers to attest they do not participate in a hold harmless arrangement Completed
- ▶ Establish payment rate ceiling at ACR for hospital services, nursing facility services, qualified practitioner services furnished at academic medical centers SFY26
- ▶ Prohibit use of separate payment terms to must be included in capitation rates SFY28

Other Payer Updates

TPA changes occurring in NC

▶ NC State Health Plan

- First time in 40 years – TPA change from BCBSNC to Aetna
- SHP forecasts a net loss in calendar year 2026

▶ Truist

- TPA change from BCBSNC to Aetna

Medicare Advantage

- ▶ CMS Final Rule released late 2023 to increase oversight of MA Plans and better align coverage with traditional Medicare
 - Requires MA Plans to follow the two-midnight rule
 - Plans reacting with finding flexibility in adherence
- ▶ On a positive note, seeing increased CMS response in supporting providers and beneficiaries

Medicare (Audits)

▶ Wage Index Audits

- Taking deeper look at contract labor
 - Separating worked hours from paid hours on invoices
 - Meeting the requirement for support documentation

▶ S-10 audits

NCHA Financial Services

- ▶ Support and resources

NCHA Financial Services

- ▶ Ensure Medicaid hospital financing remains intact
 - Hospital assessments
 - Hospital reimbursement
- ▶ Support members on the ever-changing healthcare financial landscape
 - State and federal



Upcoming education offering

▶ **NCHA Government Payors Virtual Summit – FREE for NCHA members (Register through [NCHA.org](https://www.ncha.org))**

- September 11, 2024
- Areas of focus:
 - 2025 Medicare Inpatient Rules – Forvis Mazar
 - 2025 OPPS proposed rule – Third Party Reimbursement Sol.
 - Trends and challenges with managed care (MA) - PYA

Thank you

- ▶ Questions and Wrap Up

Additional questions? Reach out to:

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