

Government Relations Update – September 16, 2014

Pennsylvania Issues

Advocacy

- **Medicaid Expansion:** As previously reported, the Patient Protection and Affordable Care Act expanded state medical assistance programs significantly on January 1, 2014, unless states elected to opt out. The federal government began matching additional state funding for three years as of January 1st and will reduce the matching rate gradually to 90% by 2020. In response, Governor Tom Corbett (R-PA) consistently stated that Pennsylvania would reject the expansion plan, unless Pennsylvania was permitted to include job search requirements for, and cost sharing (i.e., monthly premiums and co-pays) by, Medicaid enrollees. On December 6, 2013, Governor Corbett released his proposal for Medicaid expansion through the “Healthy PA” program. In addition to the job search and cost sharing provisions, the Healthy PA program proposed to increase Medicaid coverage beginning in January 2015 for about 500,000 Pennsylvanians by using federal funds to cover costs through the private insurance exchange system, rather than simply expanding Medicaid to additional enrollees.

On August 28, 2014, the Centers for Medicare & Medicaid Services (CMS) and Governor Corbett finally reached agreement to expand Pennsylvania’s medical assistance program pursuant to a modified waiver. Although CMS rejected the job search requirements and most of the cost sharing provisions proposed by Governor Corbett, CMS included certain features of the Governor’s plan. According to the Presidential Council of Economic Advisers, Pennsylvania failed to collect \$2.5 billion in federal funds by delaying the expansion. However, the report estimates that the Commonwealth will receive an additional \$5.8 billion in 2015 and 2016 through the expansion. Pennsylvania is now the ninth state led by a Republican governor to accept the federal expansion funds. The Hospital & Healthsystem Association of Pennsylvania (HAP), the Pennsylvania Medical Society, the Pennsylvania Chamber of Business and Industry and AARP all supported the expansion. Expanded enrollment will begin in December and coverage will commence on January 1, 2015.

- **Pennsylvania Health Care Cost Containment Council:** The Pennsylvania Health Care Cost Containment Council (PHC4) is an independent state agency that collects, analyzes and makes available to the public data about the cost and quality of health care provided in Pennsylvania. The agency was created in 1986 and subsequently reauthorized by the state legislature through June 30, 2014. On April 8, 2014, the Senate unanimously passed legislation to reauthorize PHC4 for an additional three years, but the House failed to pass the bill prior to the agency’s expiration date. On July 1, 2014, Governor Corbett issued an executive order extending PHC4 until the agency is reauthorized by the General Assembly.

New Jersey Issues

Advocacy

- **Recommendation on Hospital Financial Transparency:** Based on concerns that for-profit hospitals located in New Jersey are not obligated to share financial information similar to not-for-profit hospitals, Governor Chris Christie (R-NJ) signed a bill into law on January 17, 2014 directing the Commissioner of Health to review financial reporting requirements for New Jersey hospitals and to make recommendations to the Governor. Specifically, the legislation requires that the Commissioner examine the impact of Internal Revenue Service filings, Securities and Exchange Commission filings and audited financial statement requirements from all hospitals receiving Health Care Subsidy Fund payments. On July 19, 2014, the report was released to the public and the Governor. It made a series of recommendations, including a proposal that all hospitals post on their websites quarterly unaudited financial statements within 45 days of the end of each quarter and annual audited financial statements within 180 days of the end of each fiscal year. In response, the New Jersey Hospital Association (NJHA) expressed concerns about posting unaudited financial statements. The Commissioner has not announced whether she plans to implement the proposals.

Federal Issues

Advocacy

- **Hospital Inpatient Payment Final Rule:** On August 4, 2014, CMS released its hospital inpatient prospective payment system (IPPS) final rule for federal fiscal year 2015, which will take effect on October 1, 2014. For acute care hospitals, CMS approved a 1.4% market basket increase for hospitals that successfully participate in the Hospital Inpatient Quality Reporting (IQR) program and are meaningful users of electronic health records. However, when offset by continued reductions from coding and documentation modifications, as well as changes in the hospital value-based purchasing (VBP) program, the readmissions reduction program, the hospital-acquired conditions (HAC) penalty program and the Medicare Disproportionate Share (DSH) program, CMS estimates that total inpatient payments will decrease nationally by 0.6%, or \$756 million, compared to federal fiscal year 2014.

As reported previously, the final 2014 federal fiscal year Medicare IPPS rule established new criteria for determining the appropriateness of inpatient admissions. In general, CMS will presume that surgical procedures, diagnostic tests and other treatments provided in a hospital are appropriate for Medicare Part A inpatient hospital payments when a physician admits a patient based on the expectation that the patient will require a stay extending through at least two midnights. Following significant concern from hospitals and lawmakers, CMS delayed enforcement of the policy through September 30, 2014. Several commentators expected that CMS would revise the policy in the final 2015 federal fiscal year Medicare IPPS rule, but CMS failed to do so.

Legislation

- **H.R. 3230:** The Veterans Access, Choice and Accountability Act of 2014. In April 2014, it was reported that at least 40 veterans died while waiting for doctor appointments at the Phoenix Veterans Affairs Health Care System and that similar scheduling problems existed throughout the Veterans Affairs (VA) network. According to the report, patients were routinely placed on a secret list designed to conceal from VA officials in Washington lengthy delays for treatment, which averaged 115 days. The investigation also revealed system wide misconduct and management problems. As a result, the Secretary of the VA resigned from his position on May 30, 2014.

In response, on August 7, 2014, President Obama (D) signed into law a \$16.3 billion bill to allow veterans the option of receiving health care from non-VA providers if they are unable to schedule an appointment with a VA medical facility within 30 days or if they reside more than 40 miles from the nearest VA medical facility. The legislation also generally requires that payments to non-VA providers can be no greater than those paid under Medicare, although the VA may negotiate higher rates for care provided in rural areas. The bill also allocates \$5 billion in funding to the VA to hire additional doctors and nurses and to improve the VA health system infrastructure. Congressmen Cartwright (D-17-PA), Dent (R-15-PA), Fitzpatrick (R-8-PA) and Lance (R-7-NJ) and Senators Booker (D-NJ), Casey (D-PA), Menendez (D-NJ) and Toomey (R-PA) all voted in favor of the bill, which was supported by the American Hospital Association (AHA), Premier, HAP and the NJHA.

Miscellaneous

- **Legislative Visit:** On September 4, 2014, United States Congressmen Barletta (R-11-PA), Cartwright (D-17-PA), Dent (R-15-PA) and Lance (R-7-NJ) visited St. Luke's West End Medical Center to participate in a Chamber of Commerce meeting and a taping of the Business Matters television program. Several members of the Network attended the meeting, including Joel Fagerstrom, Frank Ford, Jane George, Dr. Jeffrey Jahre, Carol Kuplen, Bill Moyer and Scott Wolfe