

MINUTES

THE ALC-HOSPITAL AND MEDICAID STUDY SUBCOMMITTEE

May 15, 2014

The ALC-Hospital and Medicaid Study Subcommittee met on Thursday, May 15, 2014, at 10:00 a.m. in Committee Room B of the Big MAC Building, Little Rock, Arkansas.

Subcommittee members present: Senators Linda Chesterfield, Jonathan Dismang, and Stephanie Flowers. Representatives Andy Davis, Chair; Greg Leding, Vice Chair; Joe Jett, Kelley Linck, and James Word.

Other legislators present: Senators Jimmy Hickey, Jr., Johnny Key, and Uvalde Lindsey. Representatives Duncan Baird, Nate Bell, David Branscum, Mary Broadaway, Harold Copenhaver, Deborah Ferguson, Jeremy Gillam, David Hillman, Sheilla Lampkin, George McGill, David Meeks, Betty Overbey, and Tommy Thompson.

Call to Order

Representative Andy Davis called the meeting to order.

Consideration to Approve the Minutes of the January 8, 2014, Meeting (Exhibit B)

Without objection, the minutes of the January 8, 2014, meeting were approved.

Update on the Healthcare Independence Act (Arkansas Private Option) (Act 1498 of 2013 and Act 257 of 2014) Preliminary Impact on Uncompensated Care at Hospitals

Joe Thompson, M.D., Arkansas Surgeon General, and Director, Arkansas Center for Health Improvement, stated the reason for the meeting was simply to make sure the legislative body has current data on the Arkansas Health Care Independence Act (Private Option). He said the federal Medicaid program requires the state to evaluate clinical outcomes, continuous enrollment in coverage, and cost-effectiveness; the data will not be available until the latter half of the second year (2015). The state will begin an evaluation on the impact of the Private Option this summer. Dr. Thompson reported that in the past five months since the Private Option was implemented, hospitals have seen a positive impact which means it is doing exactly what was intended. Currently, 160,000 applicants have been approved for coverage in the Private Option and 45,000 applicants in the Marketplace. The Arkansas Hospital Association is in the process of surveying its 83 acute care hospital members; 42 hospitals have responded and reported the following information:

- 2% decline in number emergency room visits in the first three months of 2014
- 24% decrease in the number of uninsured patients in emergency room visits
- 30% reduction of uninsured patients in hospital admissions
- 26 of the 42 hospitals surveyed saw a decrease in emergency room visits; 37 had fewer uninsured patients; and 25 had both fewer emergency room visits and uninsured patients.

Bo Ryall, President and CEO, Arkansas Hospital Association, said the collection of data from member hospitals is continuing and he hopes the next update to legislators will include responses based on six-month totals. Arkansas hospitals estimate as much as \$389 million was lost in 2012 due to uncompensated care. He said hospitals are seeing a positive impact from the Private Option, but noted it will not fix all of the problems created by reductions in Medicare reimbursements and increased uncompensated costs. Mr. Ryall stated Arkansas hospitals need the Private Option to survive. He estimated hospitals will lose \$2.5 billion in Medicare funding over the next 10 years.

Raymond W. Montgomery, II, FACHE, President and CEO, White County Medical Center (WCMC), Searcy, Arkansas, said he estimates the hospital will see \$66 million in Medicare reimbursement cuts over the next six years however the Private Option will allow them to gain back approximately \$15 million. He said WCMC, which has 50,000 visits annually, saw a 50% reduction in uninsured patients in the emergency room and a 50% drop in uninsured patients in hospital admissions. Mr. Montgomery stated the Private Option has allowed an additional 11,000 lives to be covered in the six-county region served by WCMC.

Ron Peterson, FACHE, President and CEO, Baxter Regional Medical Center (BRMC), Mountain Home, Arkansas, said the hospital provides care for a 14-county region and receives approximately 70% of its income from Medicare reimbursements. Mr. Peterson said BRMC could see \$40 million in Medicare reimbursement cuts over the next six years, but that \$14 million would be offset by the Private Option. BRMC saw a 10% drop in emergency room visits; a 42% drop of uninsured patients in the emergency room; and a 48% reduction in uninsured inpatient admissions. Mr. Peterson said the Private Option has also helped reduce deficits – the hospital had a \$3.5 million deficit in 2013 and is now \$485,000 in the black.

Harry Hutchison, FHFMA, Vice President Finance, St. Bernards Healthcare, Jonesboro, Arkansas, said St. Bernards serves a 23-county area and the Private Option is vital for the hospital's ability to meet their mission. He said the hospital will endure \$11 million in Medicare and Medicare Advantage reimbursement cuts. St. Bernards saw a 15% decrease in uninsured emergency room visits and a 55% decrease in uninsured hospital admissions. Mr. Hutchison stated that St. Bernards has \$7.4 million in charges through the Private Option with 4533 patients and \$1.1 million with 600 patients in the Exchange.

Peggy L. Abbott, President and CEO, Ouachita County Medical Center (OCMC), Camden, Arkansas, said the hospital is a safety net for the community even though it only has 98 beds. She stated in the earliest months of the Private Option, the hospital received \$60,000 in payments that otherwise would not have been received. Each year the hospital has provided between \$2 million to \$2.5 million in charitable and uncompensated care. In the past four months, OCMC has submitted 708 claims totaling \$1.2 million, and to date, has received payment of \$340,000. Ms. Abbott said she is grateful to the legislature for passing the Private Option, not only because it gives hope to the poorest constituents, but it will also help small hospitals. She noted the hospital's primary care clinic is expanding hours of operation in an effort to help defray emergency room costs.

Upon questioning by Senator Key regarding the annual net amount of Medicare cuts for each hospital, the responses were as follows:

- \$8 million - Baxter Regional Medical Center
- \$11 million - St. Bernards
- \$11 million - White County Medical Center
- \$8 million - Ouachita County Medical Center (includes rural health clinic)

After much discussion by the committee, the speakers reiterated the need for the Private Option saying it is essential to the survival of Arkansas hospitals.

With no further business, the meeting adjourned at 11:30 a.m.