

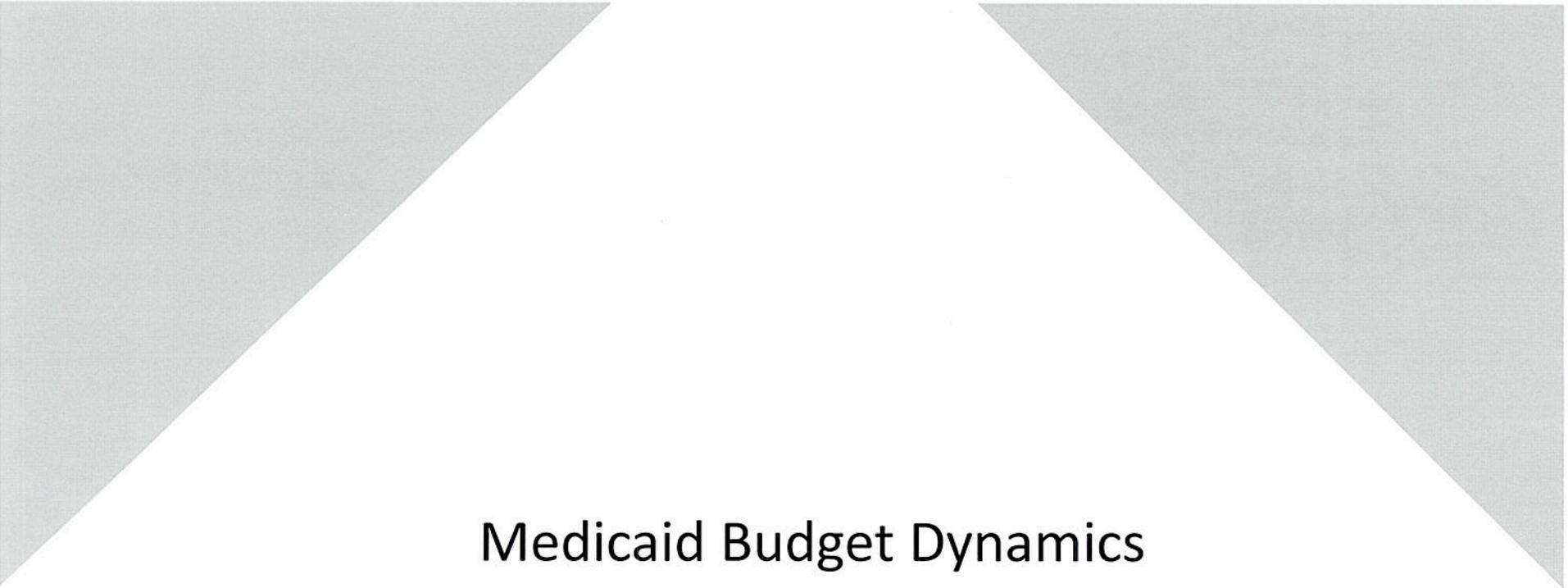


# Hospital Assessment

Medicaid Advisory Committee  
November 29, 2012

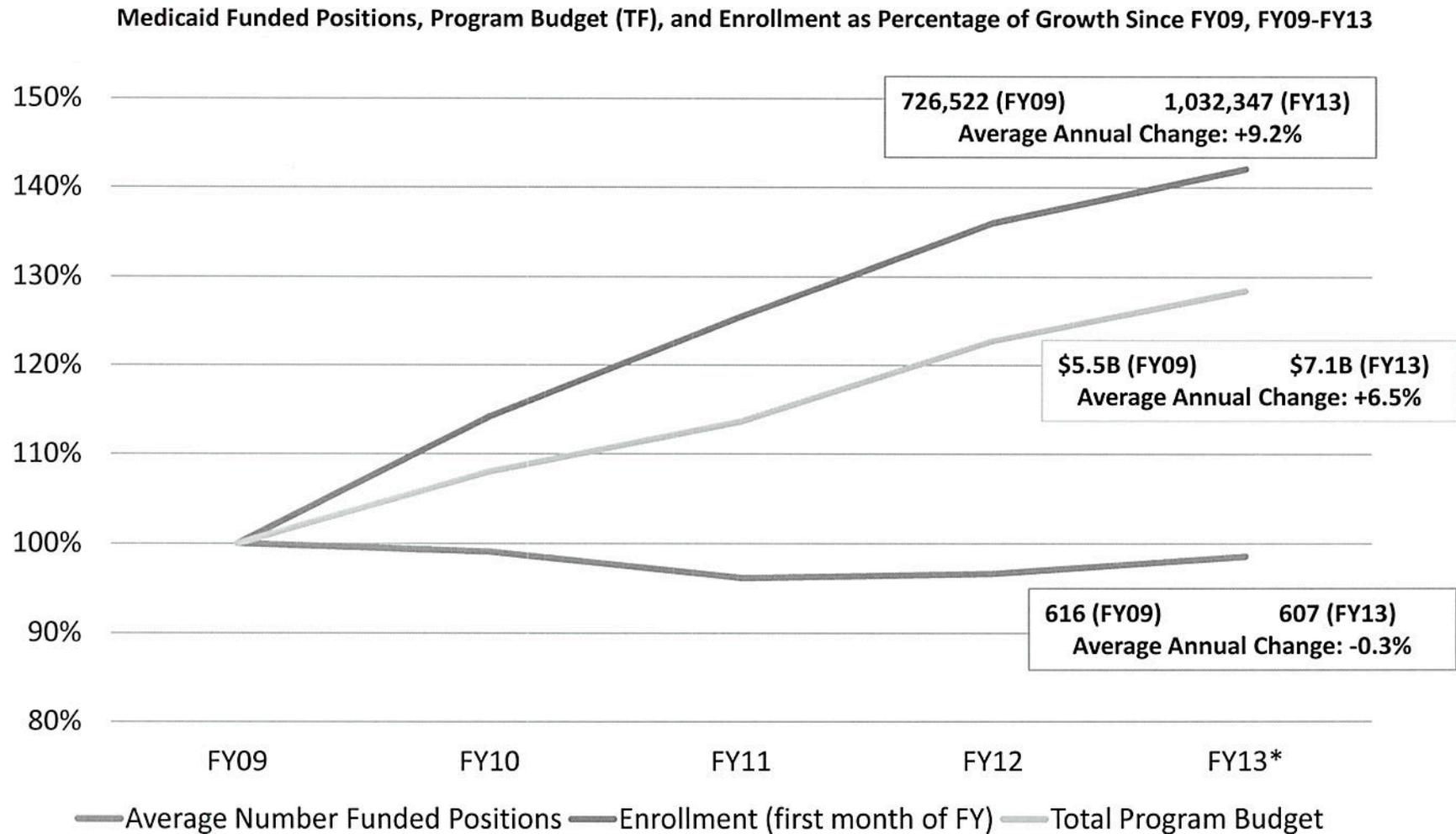
Charles Milligan  
Deputy Secretary  
Health Care Financing





# Medicaid Budget Dynamics

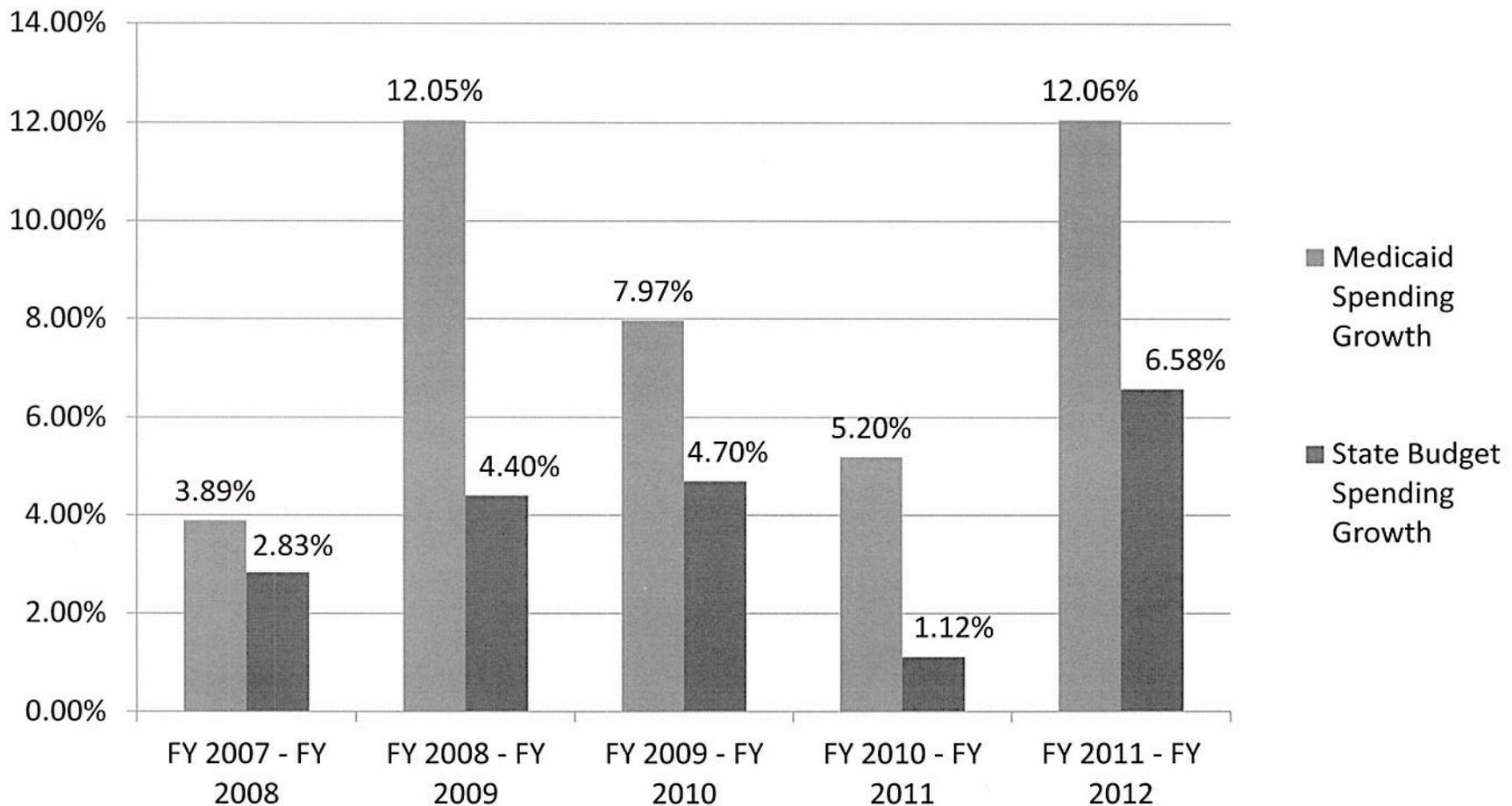
Medicaid enrollment and spending have grown significantly since FY 2009, due to the recession, parent expansion, and PAC expansion.



Source: Department of Budget and Management. Budget Highlights. FY 2007 – FY 2013.

Spending on Medicaid has grown faster than overall state spending in recent years.

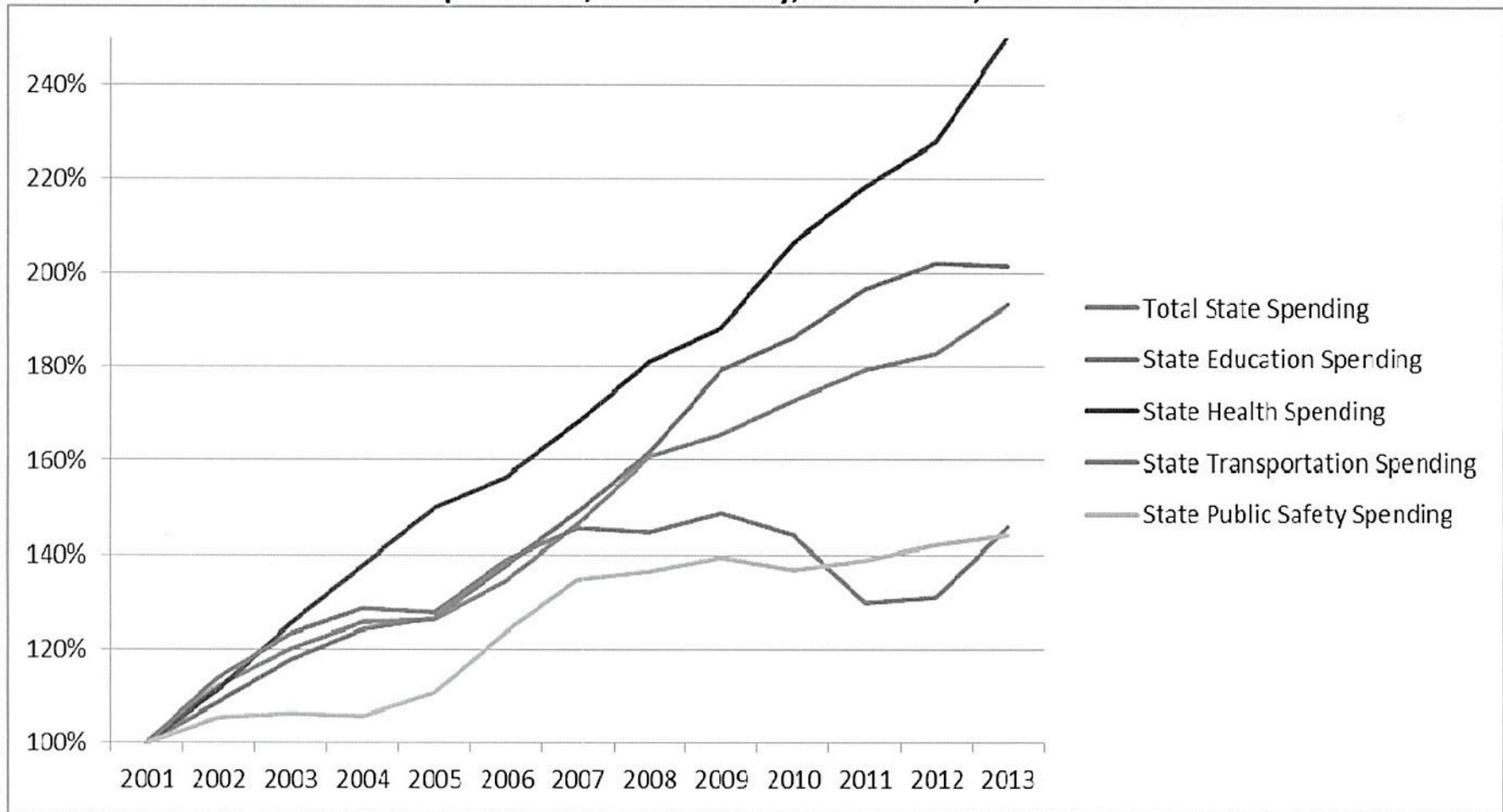
Percent of Medicaid Spending Growth and State Budget Spending Growth, FY 2007 – FY 2012



Source: Department of Budget and Management. Budget Highlights. FY 2007 – FY 2013.

Increases in state health spending have outpaced education, transportation and public safety spending in the budget.

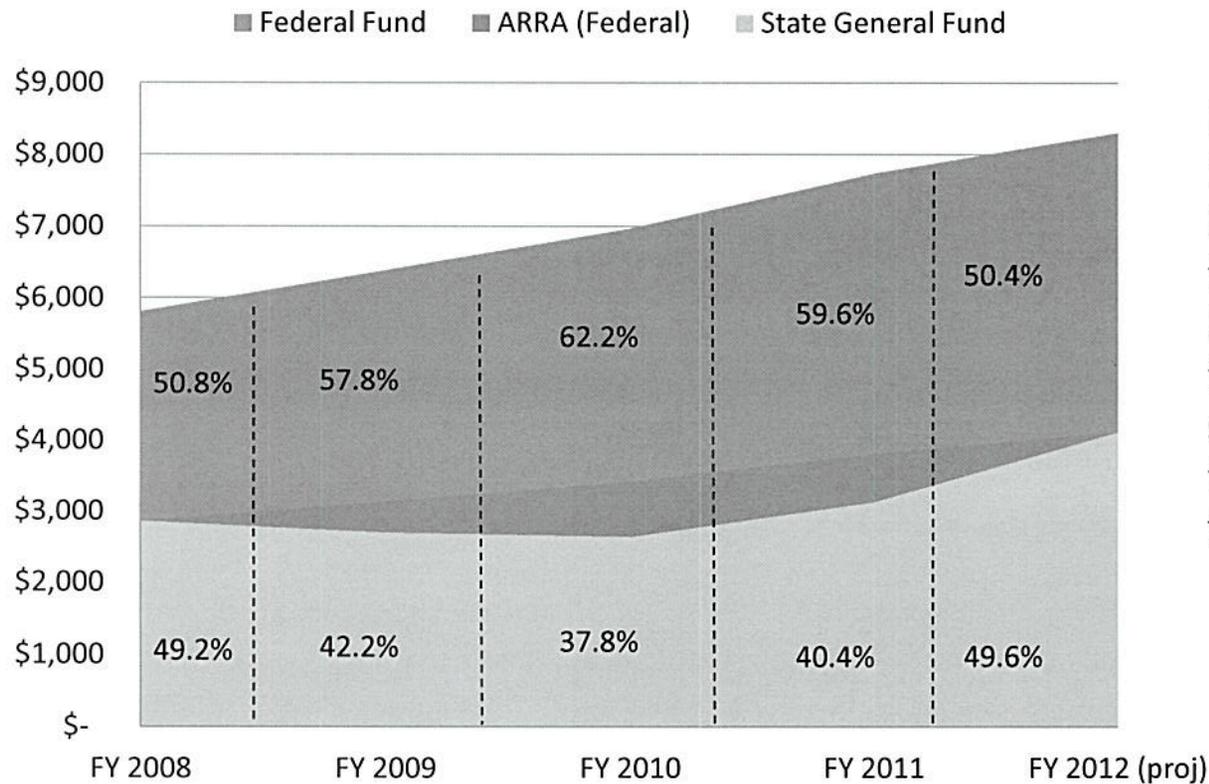
**Percent Changes in Maryland State Spending, Including State Spending on Education, Transportation, Public Safety, and Health, 2001-2013**



Source: Department of Budget and Management.

The availability of ARRA enhanced federal Medicaid funds from 2009-2011 saved the state over \$1.9 billion, and also masked the true growth in total Medicaid spending during the period.

**Maryland Medicaid State, Federal, and ARRA Expenditures,  
in Millions: FY 2008-2012**

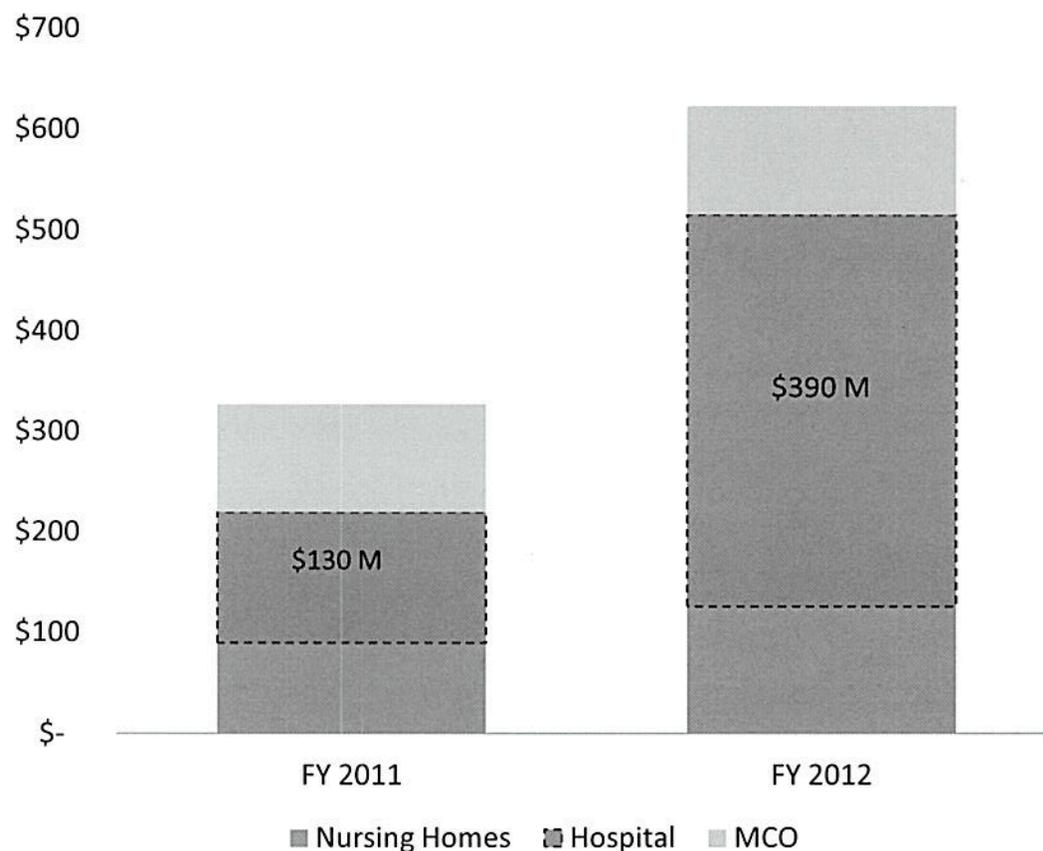


Maryland saved approximately 18% (\$638 million) per year from 2009 to 2011 as a result of ARRA funds, for a total savings of over \$1.9 billion. The loss of these funds after FY 2011 forced the state to find Medicaid funding from different sources, including the assessment.

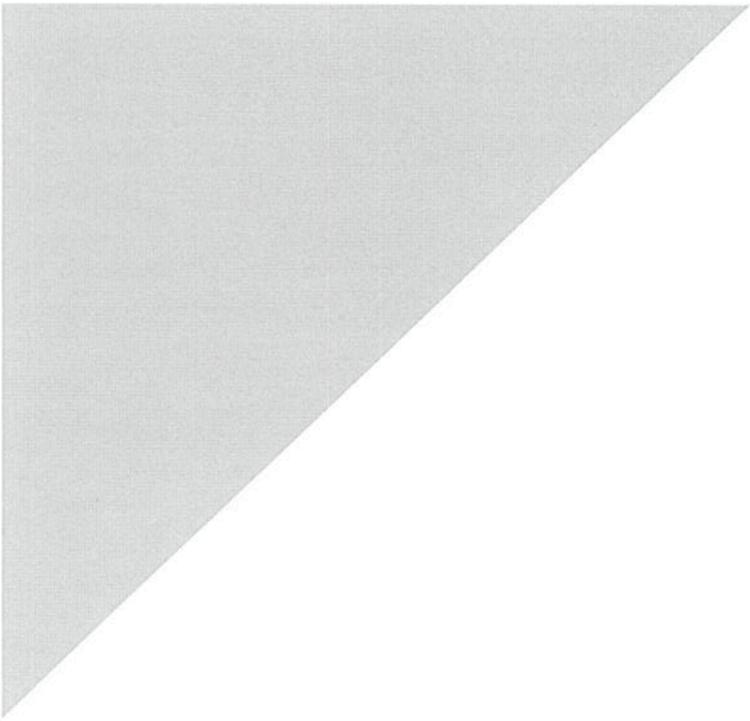
Source: DHMH, Office of Health Care Financing.

When the ARRA enhanced match ended, Maryland faced a very steep increase in financing for Medicaid. In lieu of using general funds for the entire increase, Maryland substituted funds from a significant increase in the hospital assessment.

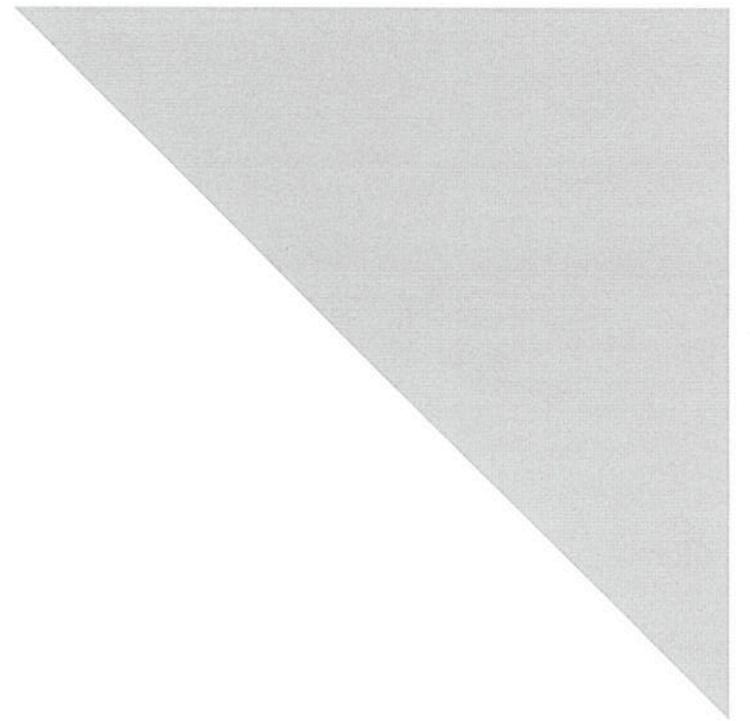
**Maryland Medicaid Provider Assessments, FY 2011 and FY 2012, in millions**



Source: DHMH, Office of Health Care Financing.



FY 2013



Due to ongoing state budget challenges in FY 2013, the Medicaid budget included many cost containment actions, including some that involved hospitals.

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- The FY 2013 budget as passed included \$99 million from hospitals:
  - Altering the funding formula for uncompensated care (\$9 million);
  - Limiting expenditures for medically-needy inpatient care (\$36 million);
  - Outpatient price tiering (\$30 million); and
  - Additional assessment revenue (at same rate) (\$24 million)
- This is expected to be achieved by:
  - Lower hospital rate update factor (\$53.6 million)
  - Rate realignment (reallocation of revenue from inpatient routine centers to outpatient centers) (\$13.7 million);
  - Outpatient price tiering (\$30 million); and
  - Settlement from FY 2011 (\$1.7 million)

## Only uncertainty: whether Medicaid will achieve budgeted savings from tiered outpatient rates

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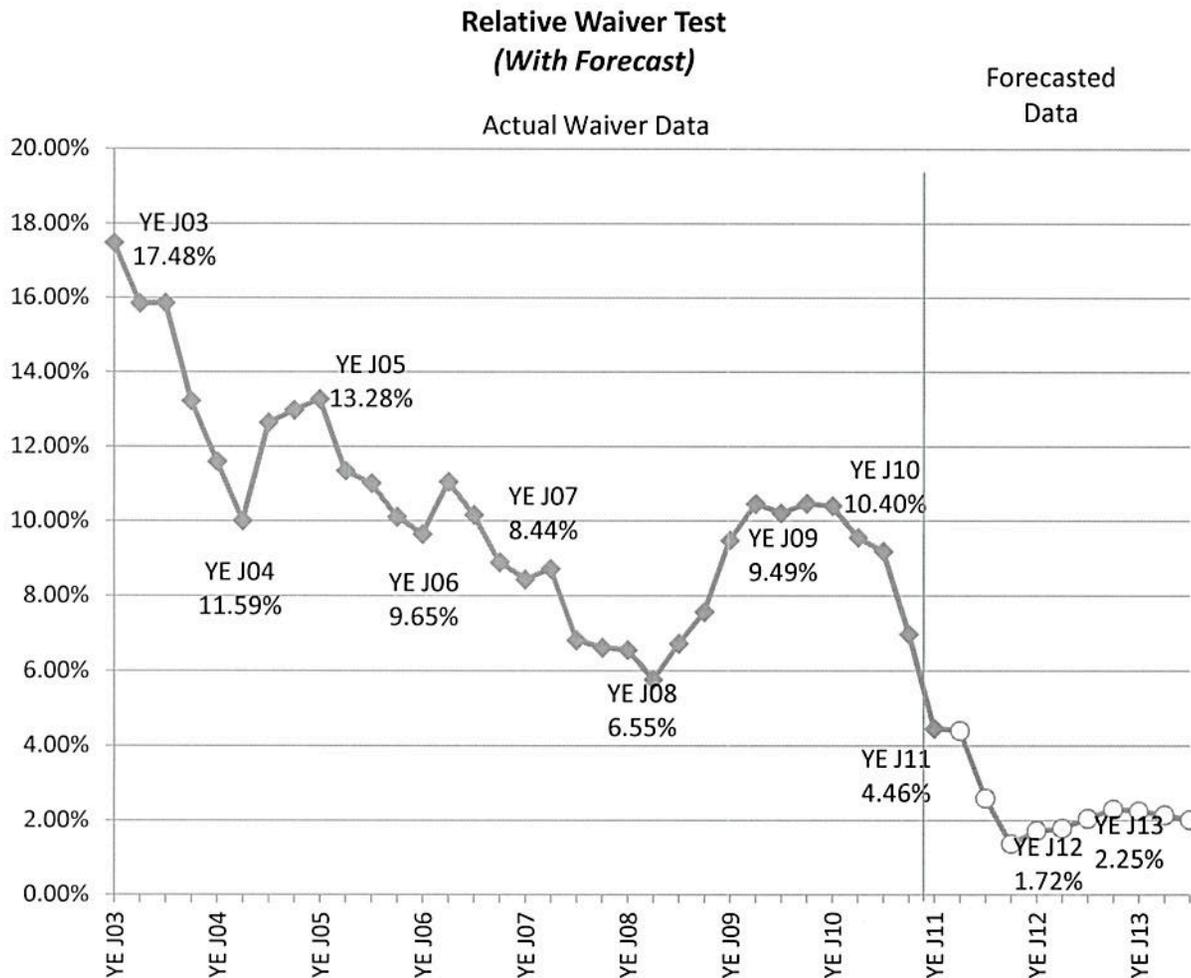
- Various hospitals proposed tiered rates
- A lot of the anticipated savings will benefit the Medicaid budget in the Mental Hygiene Administration
- Current analysis:
  - Estimate projected savings
  - Allocate savings between managed care and FFS
  - Allocate savings between budgets within DHMH
- If estimates fall short of \$30 million, Medicaid may need to use other tools to generate hospital outpatient savings
- Major takeaway: there are no “spare” savings that could be used to reduce the assessment (and resulting revenue)



Hospital Waiver Cushion

The waiver cushion has been steadily eroding, falling from 17.5% to 4.5% from 2003-2011, even before the hospital assessment increase in FY 2012 and FY 2013.

### Medicare Waiver Cushion Test, FY 2003 – 2013

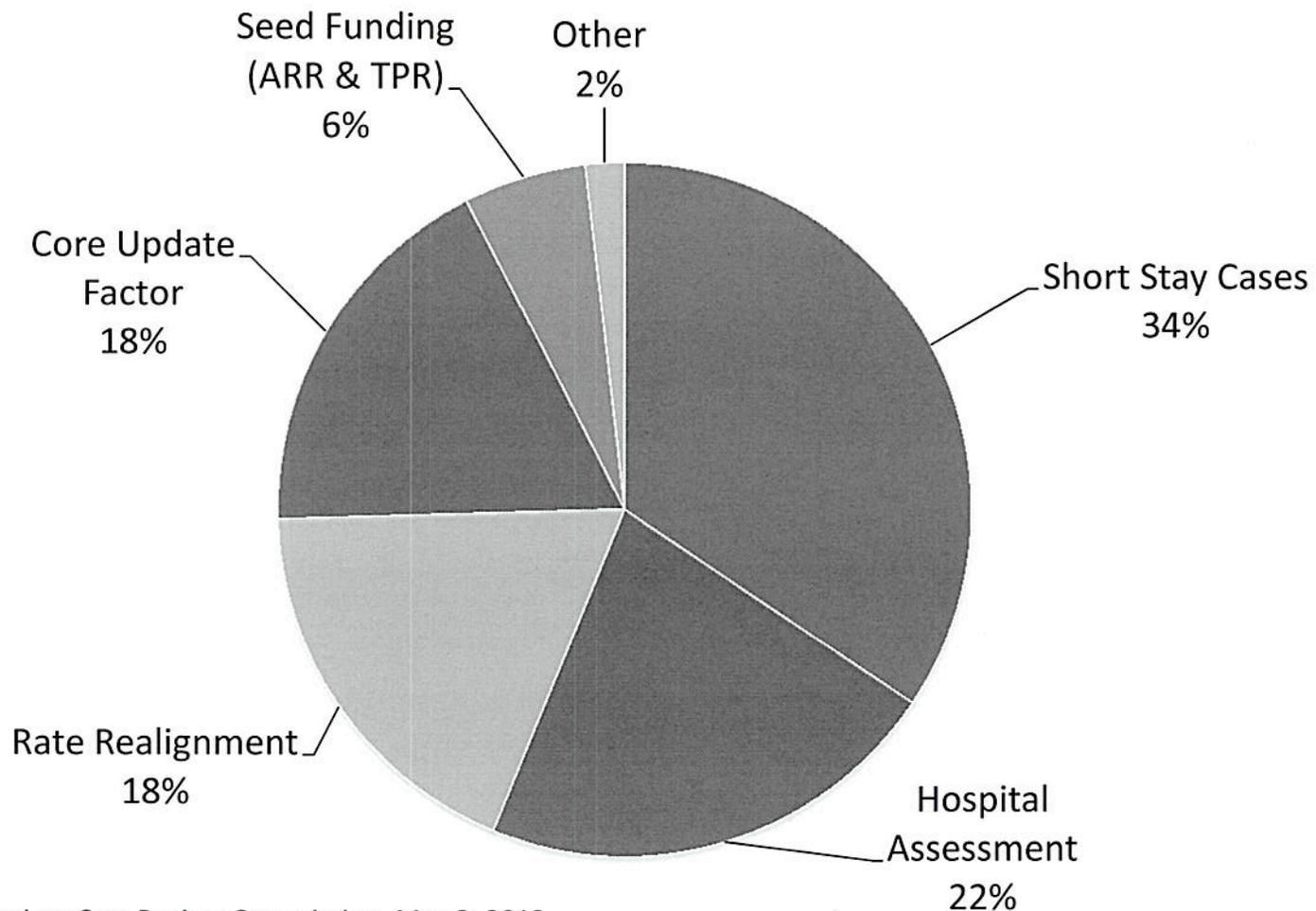


The waiver relative cushion test looks specifically at how much Medicare inpatient per case charges could increase in Maryland if national Medicare inpatient per case charges did not grow at all. The graph shows that the waiver cushion has been eroding over recent years.

Source: The Health Services Cost Review Commission.

In data for the year ending February 2012, only 22 percent of the erosion in the waiver cushion was attributable to the hospital assessment (more recent data from the HSCRC suggests an increase in this percent, but numbers are not available yet).

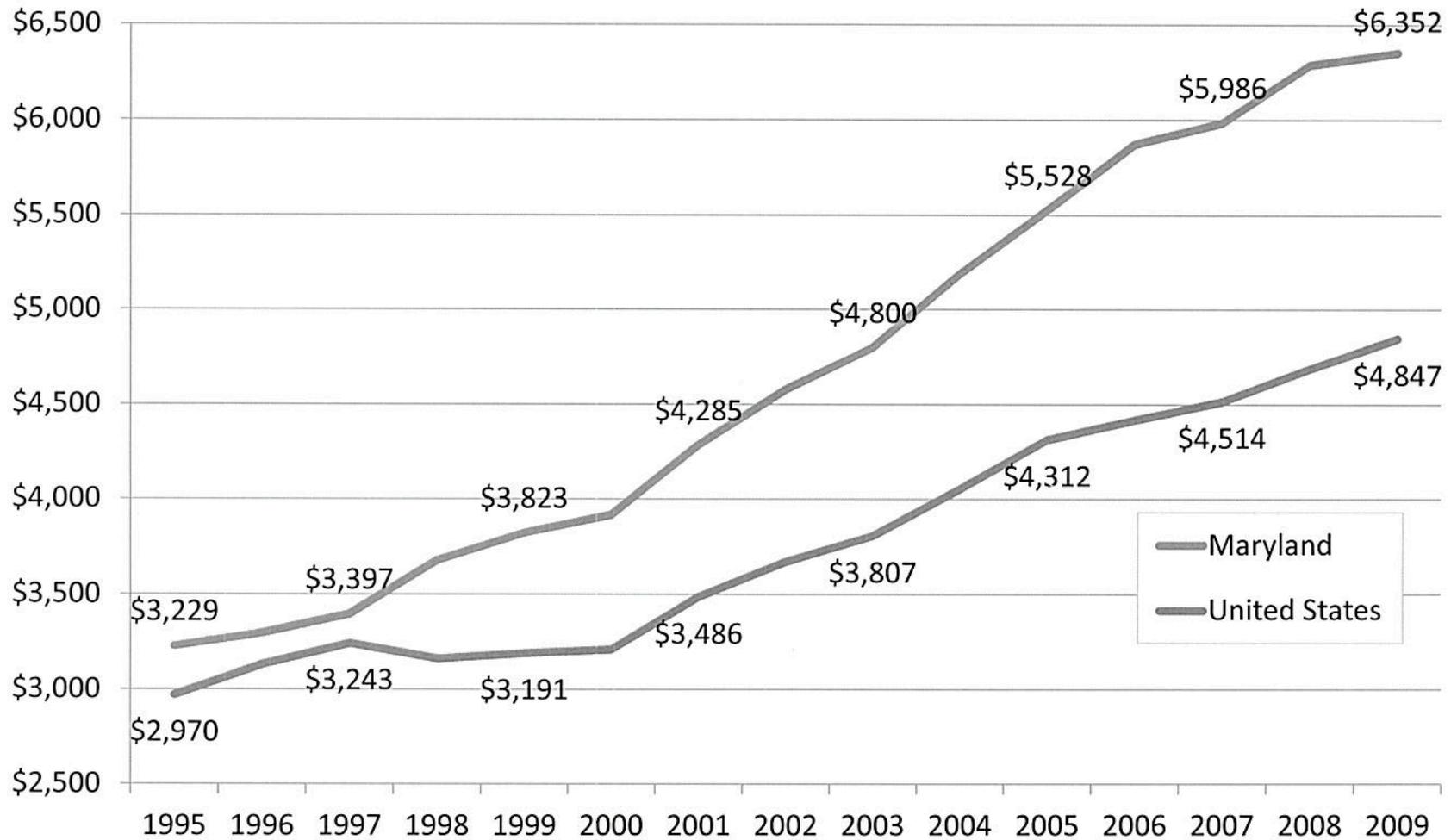
### Factors Contributing to Charge per Case Growth, Year Ending February 2012



Source: Health Services Cost Review Commission, May 2, 2012.

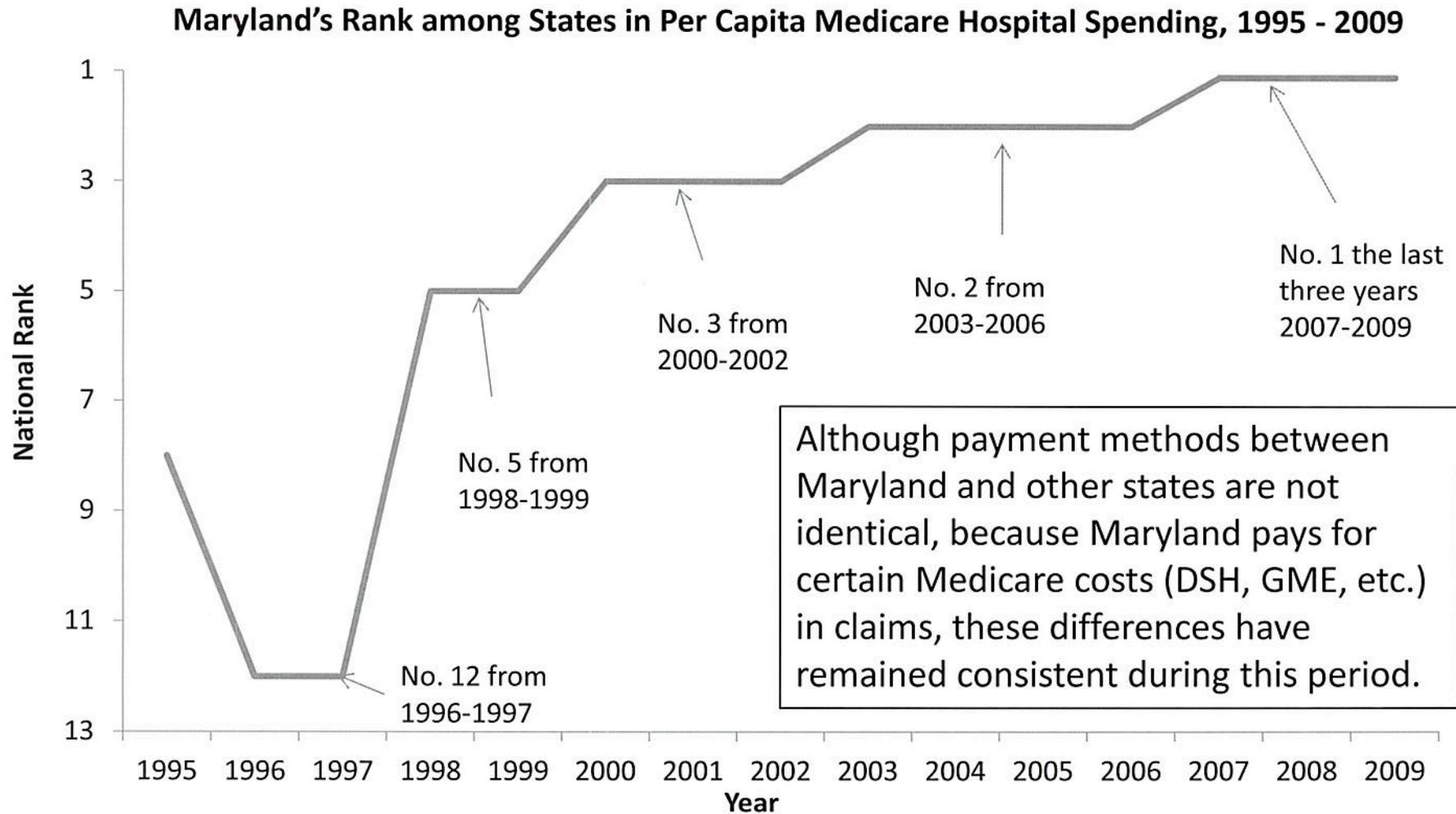
Erosion in the waiver cushion between 2000-2009 was attributable to Medicare costs rising faster in Maryland than nationally.

Medicare Spending Per Enrollee by Hospital Care, 1995 – 2009



Source: Kaiser Family Foundation. State Health Facts. Medicare Spending Per Enrollee by State of Residence by Service Type, 1995-2009.

As Maryland's Medicare costs for Medicare enrollees rose faster than the national average, Maryland rose in the last decade from third highest to highest among states in per capita Medicare hospital spending.



Source: Kaiser Family Foundation. State Health Facts. Medicare Spending Per Enrollee by State of Residence by Service Type, 1995-2009



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