

Virginia Health System Priorities

Senate Finance HHR
Subcommittee
February 15, 2016

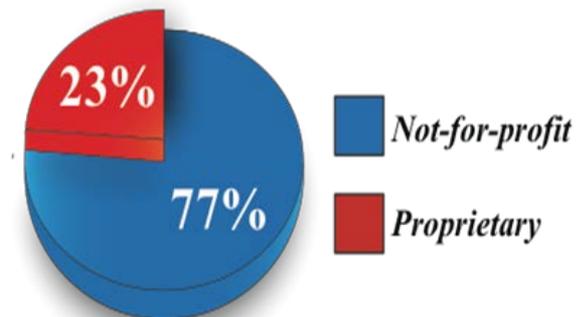
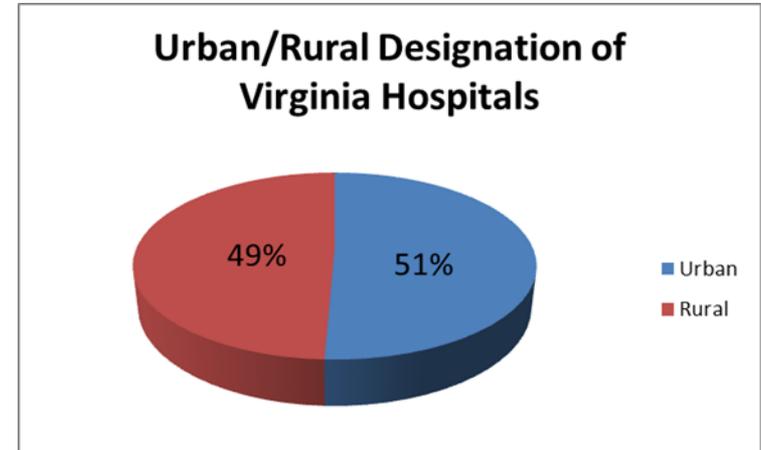
Building a Path for a Healthy Virginia

And Top Tier Performance on Healthcare Value

- **Hospitals and Health Systems Today and Tomorrow**
 - Transformation of the delivery model
 - Community Benefit Trends
 - Federal funding cuts
 - Financial projections
- **Addressing the policy challenges**
 - Certificate of Public Need
 - Budget Priorities
 - Medicaid Inflation Adjustment
 - Provider Contribution Program
 - Addressing the substance use/abuse challenges

Hospitals and Health Systems Today and Tomorrow

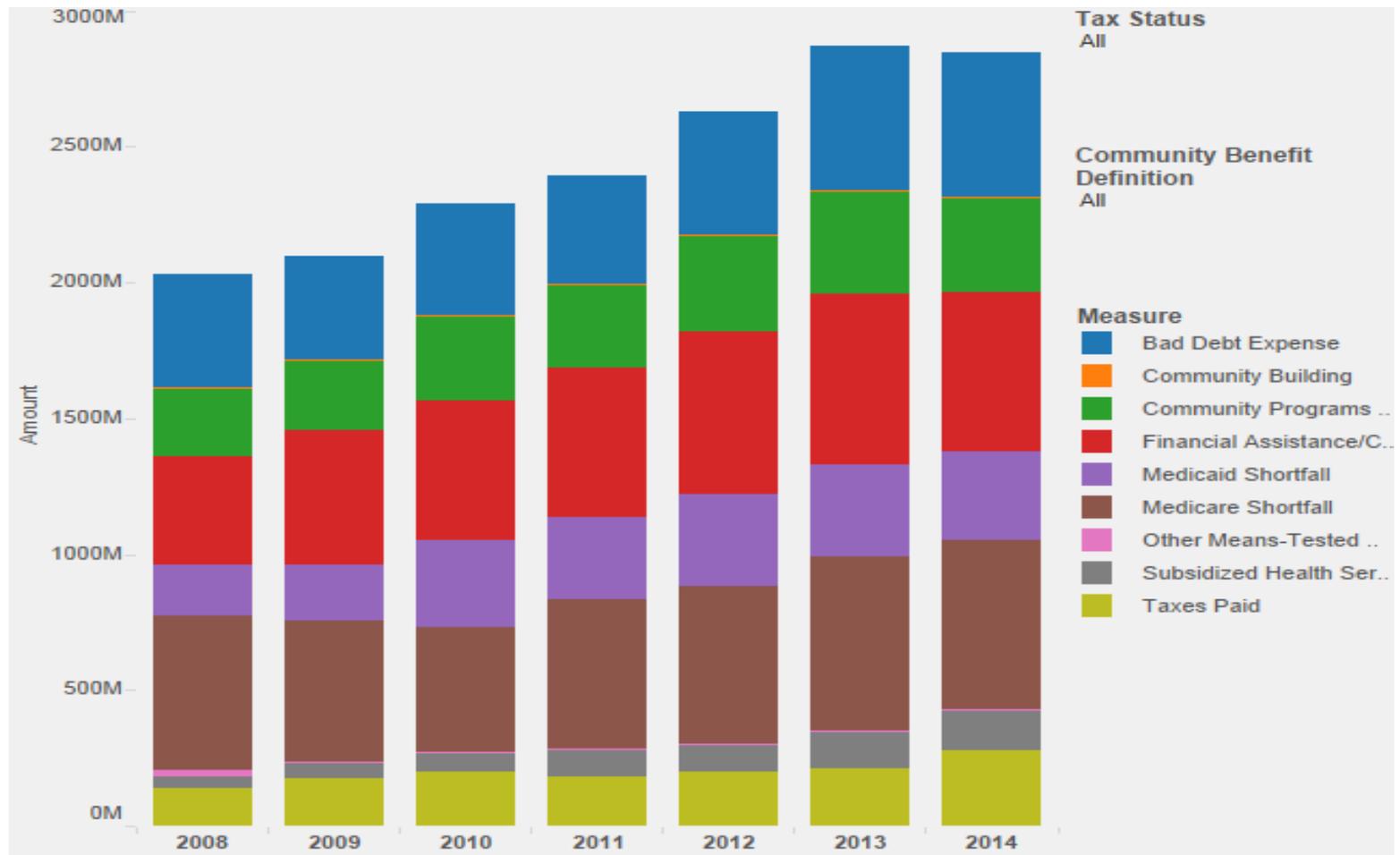
- 30 health systems
- 107 community, psychiatric, rehabilitation and specialty hospitals
- 14,421 hospital beds
- 15 designated trauma centers
- 49 percent are rural hospitals
- 51 percent are urban hospitals
- 77 percent of Virginia hospitals are not-for-profit



Hospitals and Health Systems Today and Tomorrow

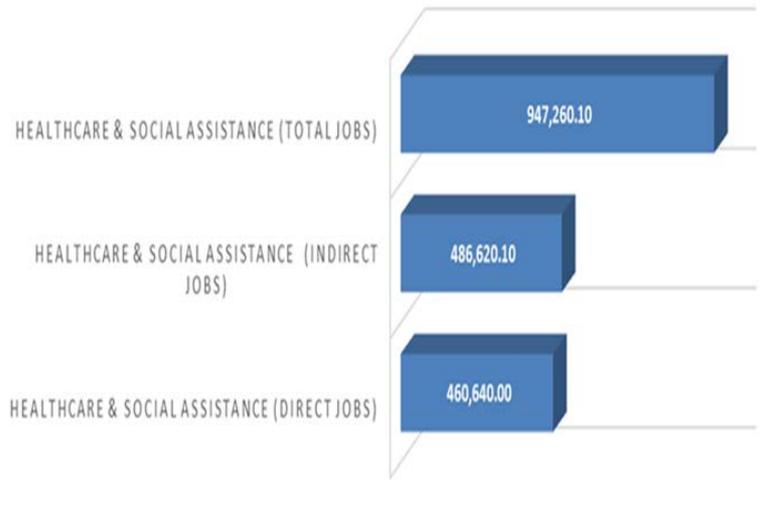
- 3.6 million emergency department visits, 1.9 million outpatient visits, 781,625 inpatient admissions, and more than 103,000 babies delivered
- \$2.8 billion in community support
- \$584 million in free or discounted care
- \$147 million provided for subsidized health care services
- \$280 million paid in federal, state, and local taxes
- \$347 million spent on community programs such as mobile clinics, immunizations, health screenings, home health visits, etc.

Hospitals and Health Systems Today and Tomorrow



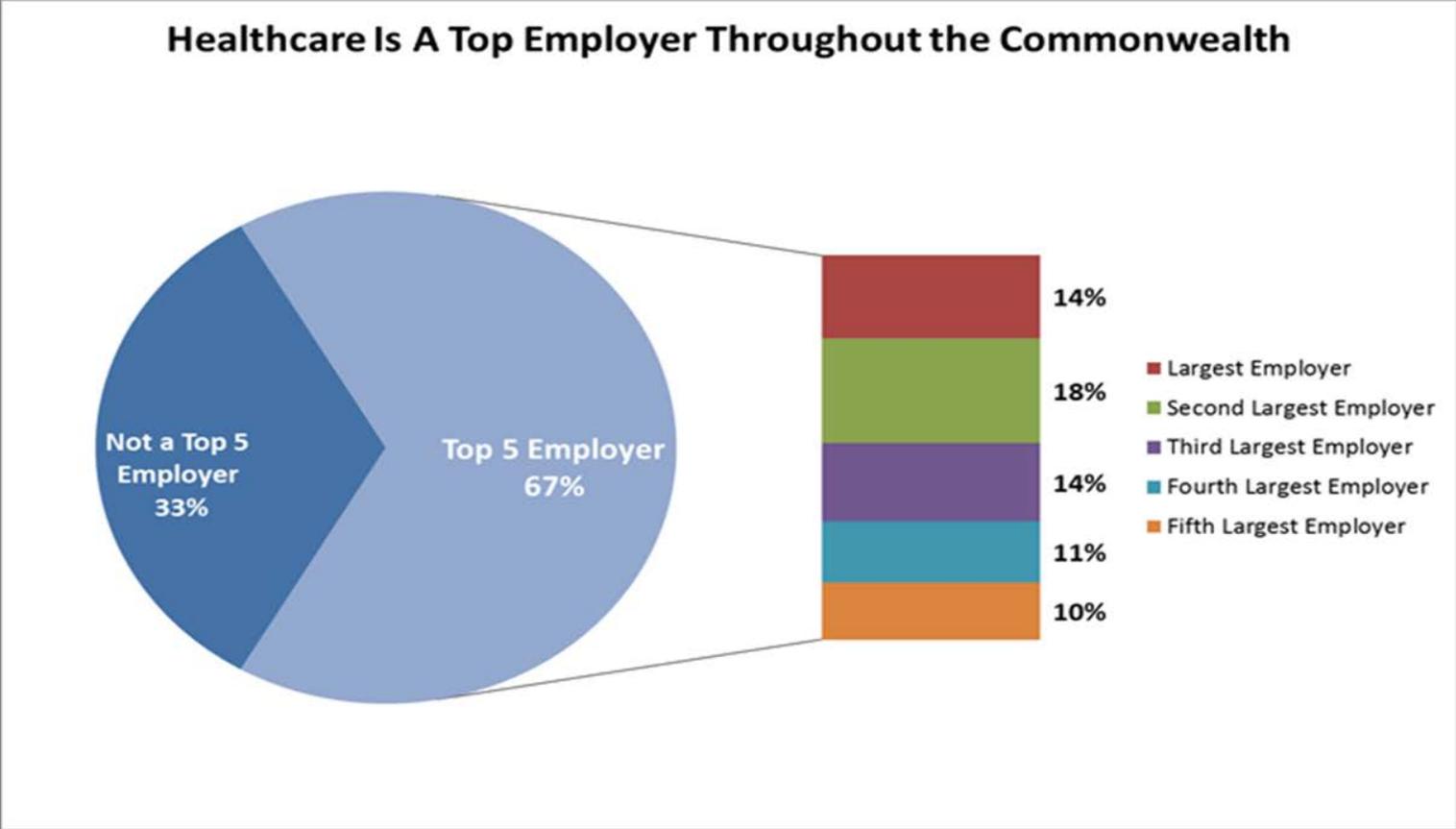
Hospitals and Health Systems Today and Tomorrow

VIRGINIA HEALTHCARE INDUSTRY SUPPORTS ABOUT A MILLION JOBS IN THE COMMONWEALTH (3RD QUARTER, 2014)



- 115,000 direct jobs
- \$8 billion in payroll
- \$17 billion spent on goods and services
- Health care and social assistance represent roughly 500,000 jobs, or 11.4 percent of the workforce
- The Virginia Labor Market Index data shows health care-related positions account for roughly 950,000 jobs, or 23 percent of all Virginia jobs
- \$36 billion in economic activity

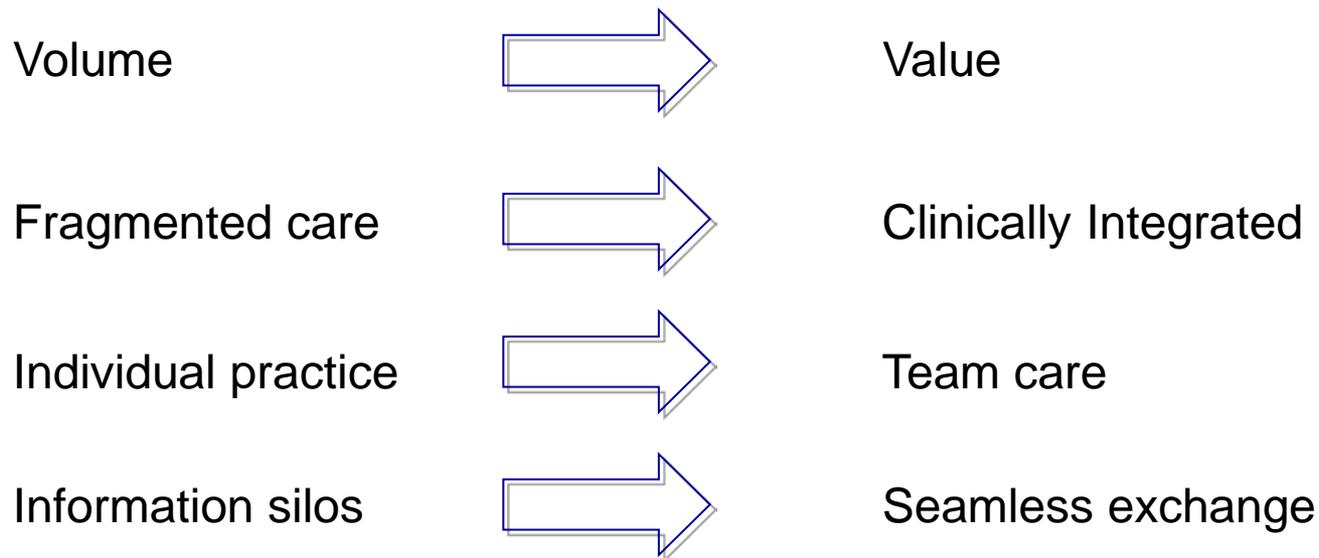
Hospitals and Health Systems Today and Tomorrow



In 82 percent of rural localities, local hospitals are a top five employer.

Hospitals and Health Systems Today and Tomorrow

- **Virginia health systems have a long track record of high value performance and financial stability**
 - However, this history is no guarantee for the future
 - Status quo policy presents major financial challenges
- **Major** transformation in health care underway:

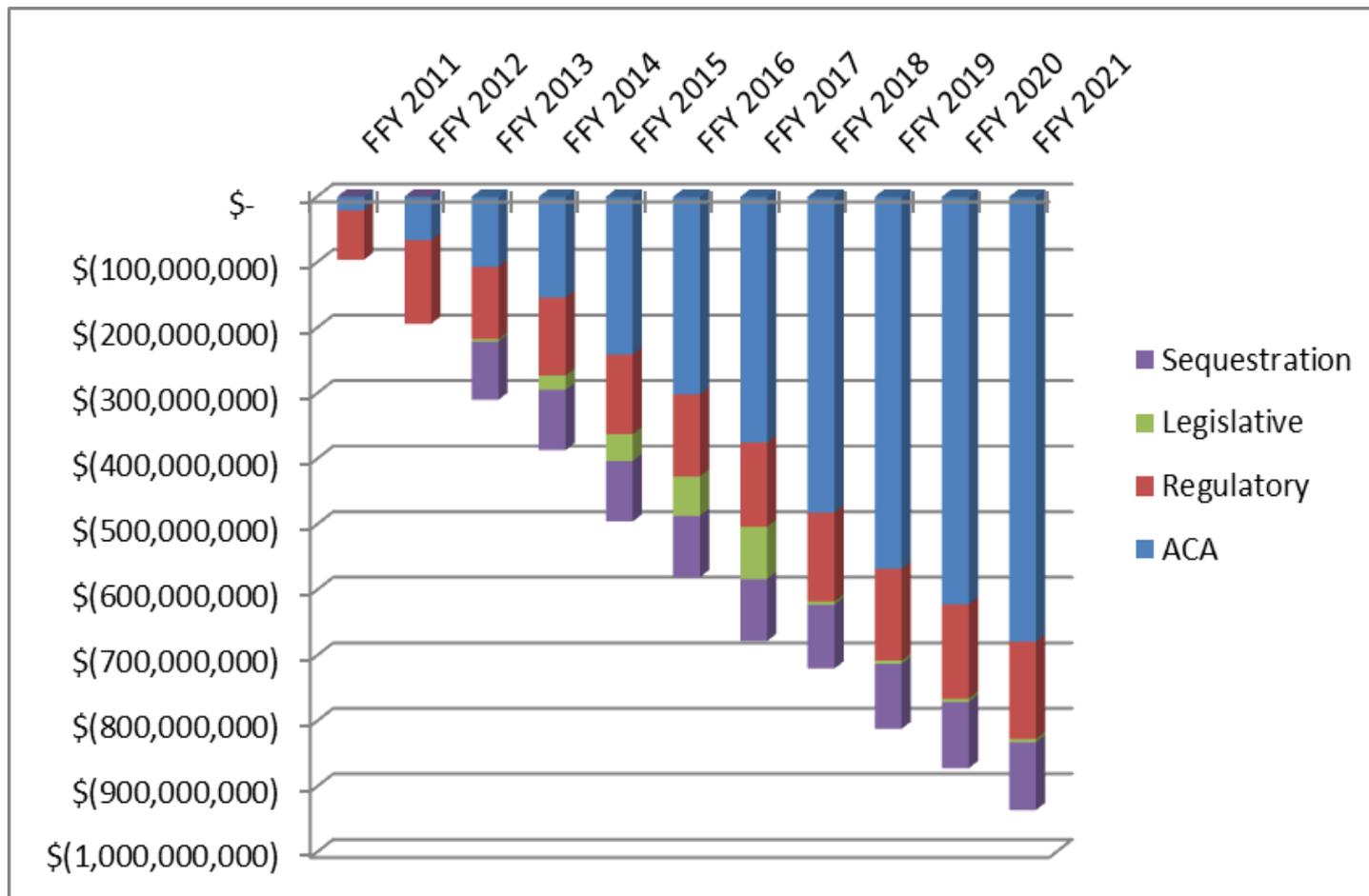


Hospitals and Health Systems Today and Tomorrow

- **Transformation journey is well underway, but far from complete**
- **Trajectory is clear, toward systems achieving the triple aim:**
 - Better care
 - Better health
 - Lower costs
- **How can the Commonwealth help?**
 - Pragmatic approach to health policy challenges
 - Develop a bi-partisan Virginia solution
 - Support and oversee innovation plan and reforms
 - Avoid doing harm

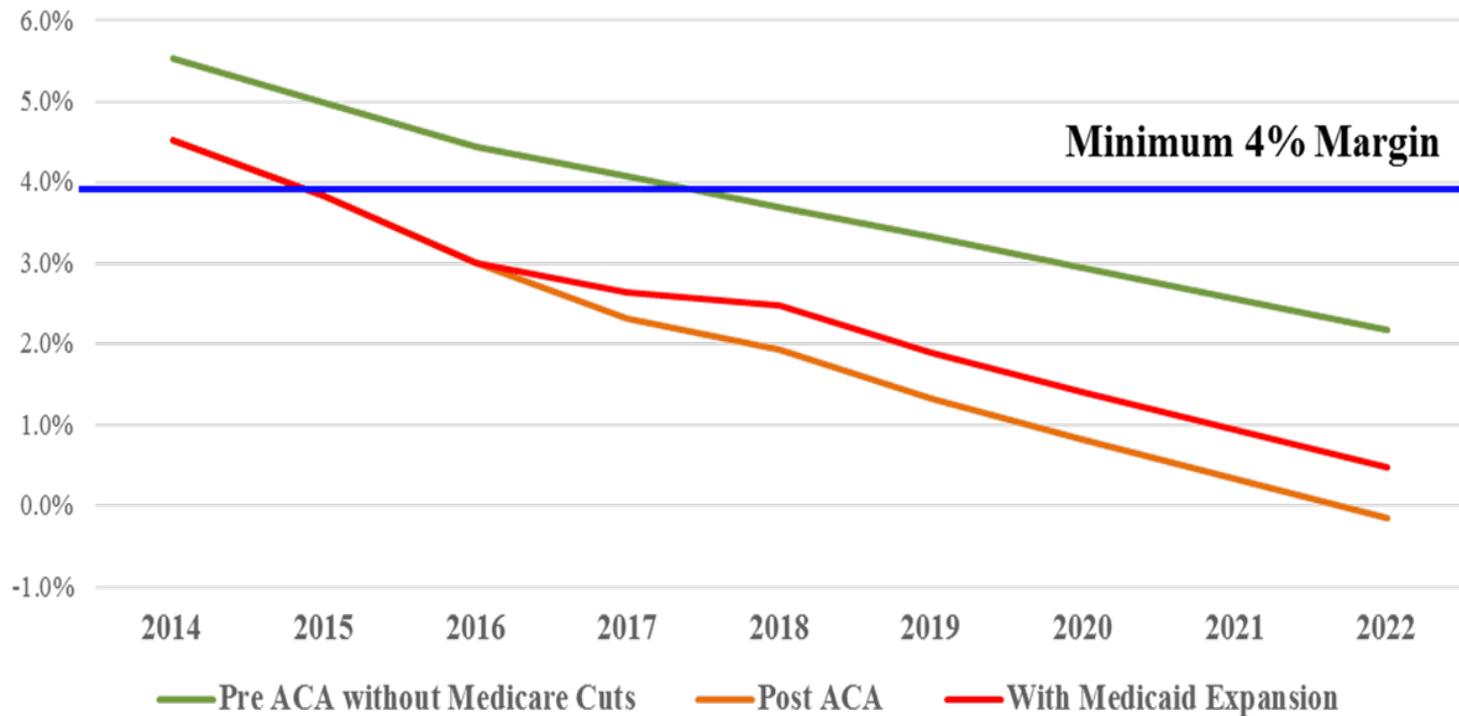
Hospitals and Health Systems Today and Tomorrow

Federal funding cuts due to ACA, sequestration and other budget actions



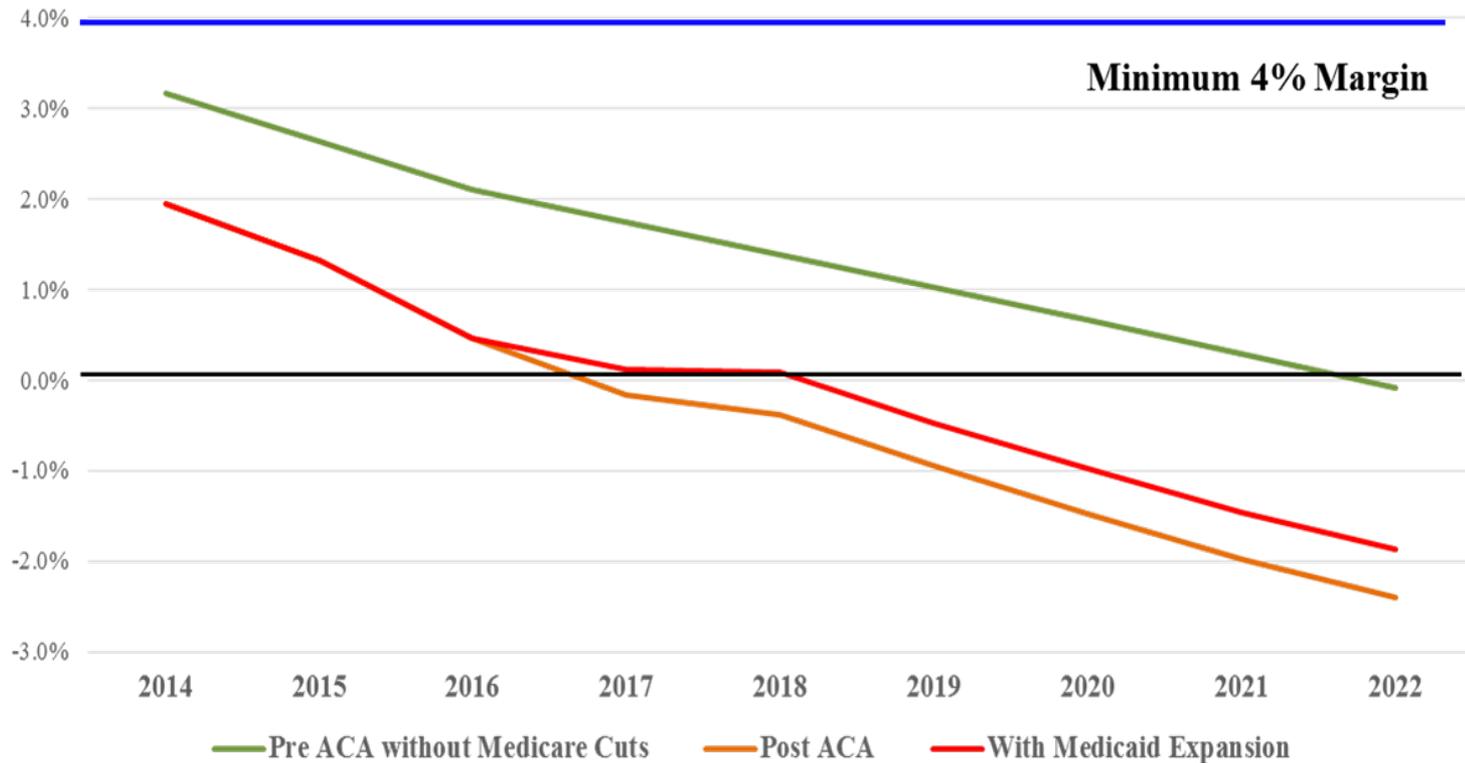
Hospitals and Health Systems Today and Tomorrow

Virginia Hospital Operating Margins 2014 - 2022 Under Various Scenarios



Hospitals and Health Systems Today and Tomorrow

Rural Hospital Operating Margins 2014 - 2022 Under Various Scenarios



VHHA Principles for Addressing Fiscal Challenges

Virginia hospitals and health systems are willing to contribute their share to address these challenges provided certain principles are met...

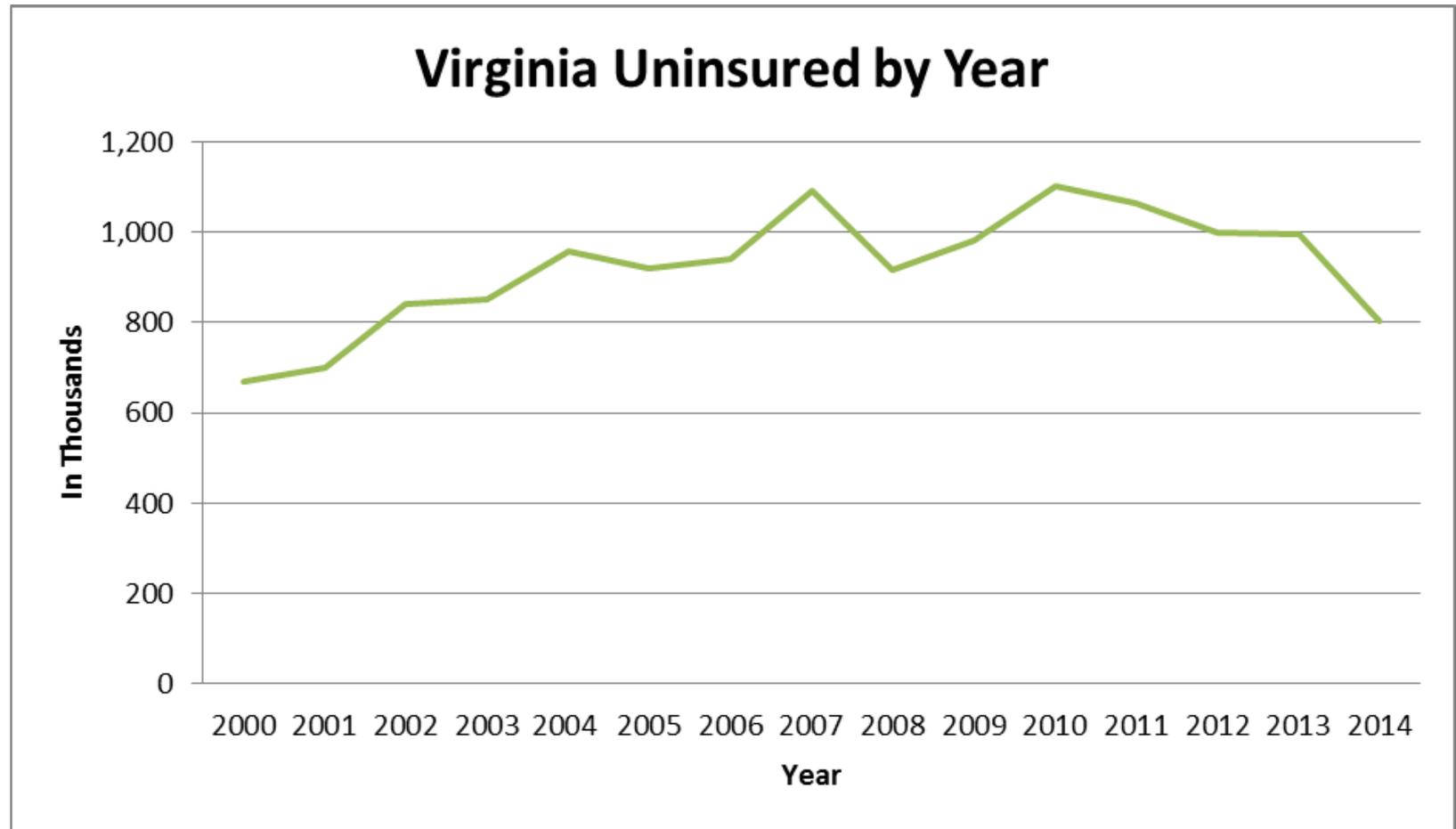
1. To the extent possible, the administration and implementation of hospital contributions must be placed in the hands of the private sector.
2. Hospital contributions must be at the minimum amount necessary to fund the state match for addressing payment shortfalls, strengthening rural hospitals, and providing additional graduate medical education funding.
3. Funds contributed by hospitals must be segregated from the General Fund and not be subject to diversion of funds by the GA or Administration.
4. The Appropriations Act and implementing legislation authorizing a contribution program must contain a provision voiding the program if hospitals' contributions are ever used for any other purpose than the aforementioned policy goals. Such diversion would clearly make the contribution a tax.
5. The Appropriations Act and implementing legislation must contain language requiring a maintenance of effort on existing General Fund revenues dedicated to the current Medicaid program and specifying that rates shall not be lower than those in effect on 12/31/2015.
6. Any savings generated due to contributions offsetting costs within the existing Medicaid program should be set aside to help rural hospitals.

COPN – Do No Harm

- **Virginia’s Certificate of Public Need (COPN) program plays a critical role in correcting health care market inequities.**
- **COPN also helps provide for:**
 - Access to health care for Virginia’s indigent population
 - Essential health care services
 - Graduate medical education (GME) funding
- **In 2001, when the GA last looked at full scale deregulation, it put in place a comprehensive, phased plan that addressed these challenges**
- **Since that time, market inequities have gotten worse, and any efforts to deregulate COPN must take these realities into account**
- **However, Virginia’s hospitals and health systems strongly support improving the COPN process to make it work better for all stakeholders**

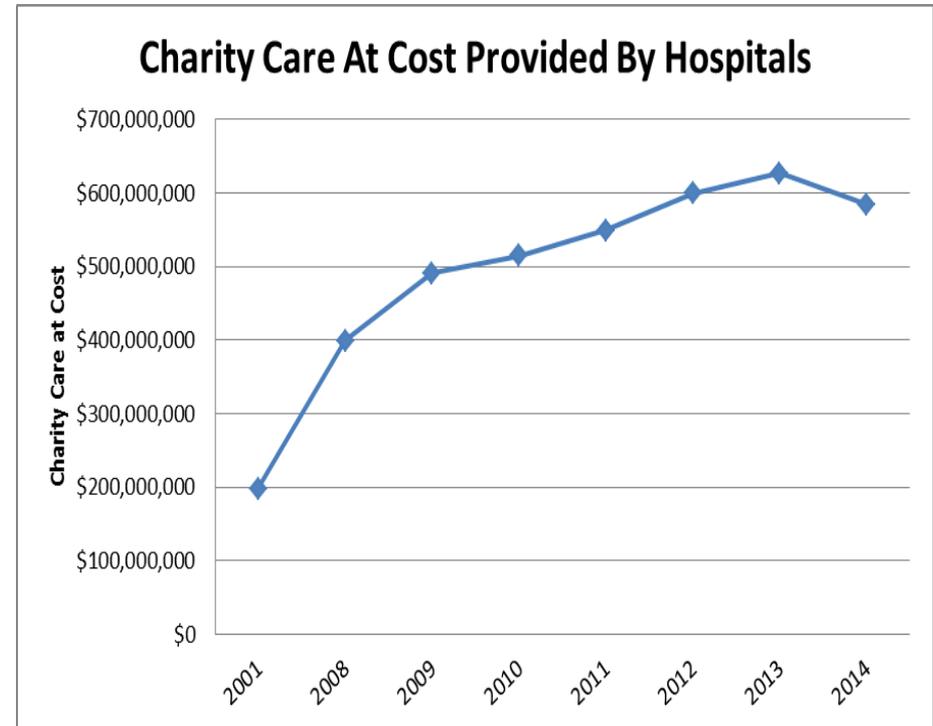
COPN – Do No Harm

Since 2001, the number of uninsured Virginians has increased



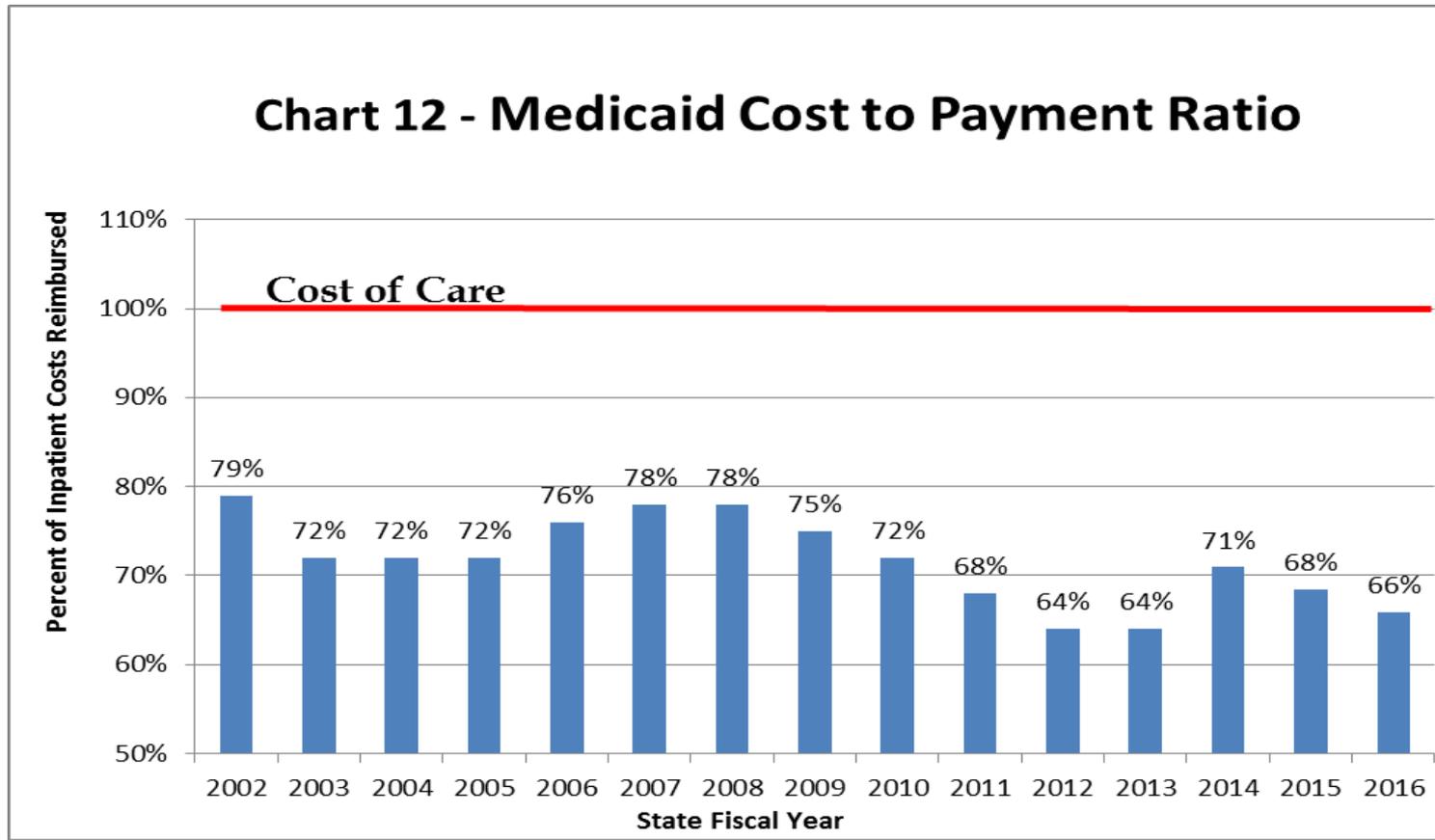
COPN – Do No Harm

- Since 2001, the cost of caring for the uninsured and low-income Virginia's has increased.
- Since 2008 alone, charity care costs have grown by 57 percent.
- In 2009, the state eliminated the Indigent Care Trust Fund and the State and Local Hospitalization Program, which help offset a portion (approximately \$20 million) of these costs.



COPN – Do No Harm

Since 2001, Medicaid reimbursement rates have fallen from a high of 79 cents on the dollar to 66 cents on the dollar.



VHHA Budget Priorities

- **Item 306 #20s – Restore Inflation for Hospitals**
 - **The Virginia Administrative Code sets the Medicaid reimbursement rate at 78 cents per dollar of cost**
 - **The General Assembly has only met this commitment three times since 2002**
 - **Virginia’s hospitals and health systems last received their inflation adjustment for Medicaid reimbursement rates in 2013**
 - **This amendment would help stall further decline in Medicaid reimbursement rates**
 - **It has a fiscal impact of \$15,004,581 GF/NGF in the first year and \$32,651,145 GF/NGF in the second year, for totals of \$30,009,162 and \$65,302,290, respectively**

VHHA Budget Priorities

- **VHHA also supports inclusion of the Virginia Hospital Access and Rural Hospital Relief Fund in the final appropriations act, provided the aforementioned principles governing contributions are met**
 - This program would establish a contribution program from private acute care hospitals
 - These contributed funds would be used to draw down additional federal funding for:
 - Increasing reimbursements to the Upper Payment Limit within the existing Medicaid program
 - Providing additional funding to rural hospitals
 - Providing additional funding for graduate medical education
- **This program could, if authorized in the future, also be used to ensure there is not net impact on the General Fund for extending health care coverage and implementing an innovative, private delivery model**

VHHA Public Health Priorities

- **VHHA supports the additional coverage for substance use disorder treatment in the introduced budget**
 - The rapid rise in opioid and heroin abuse has been well documented, patients requiring treatment and counseling are often very challenging for our ED staff
 - Deaths caused by drug overdose have now overtaken motor vehicle accidents as the leading cause of mortality
 - Addressing this epidemic will require many complementary strategies, but treatment for substance use disorder is key
- **Maximizing the utility of the Prescription Monitoring Program (PMP) is also critical**
 - The Commonwealth should leverage the investments made in our health information exchange infrastructure to fully connect the PMP to our EMRs and e-prescribing systems
 - A modest one-time investment in connectivity could dramatically improve both data flowing into the PMP and the breadth and ease of information returned to the prescriber

Thank You

- **Hospitals and health systems look forward to working with all of you to address the challenges and accelerate the good reforms underway**
- **We are proud to provide high quality, compassionate care to all Virginians and committed to helping make Virginia the healthiest state in the nation**
- **Thank you for your service to the Commonwealth**