Hospital Payment Policy Advisory Council
Virginia Hospital & Healthcare Association
October 22, 2009, 10 am -12 pm
Minutes

Council Members:
Chris Bailey, VHHA
Donna Littlepage, Carilion
Michael Tweedy, DPB
William Lessard, DMAS
Dennis Ryan, CHKD

Other DMAS Staff:
Carla Russell
Nick Merciez
Jodi Kuhn

Other Attendees:
Ingram Haley, VHHA
Karen Addison
Joe Becht, Deloitte&Touche

I. Introductions

Members of the council and other attendees introduced themselves. Mr. Lessard summarized the topics of the October 1 meeting.

II. Rebasing Revisions

DMAS established a detailed description of the rebasing process per the request of the committee.

VHHA reviewed the rebasing model and noted no major issues. Mr. Becht summarized factors affecting changes in hospital rates which include: 1) Cost changes 2) Updates to the DRG grouper 3) Adjustments to the weights. Mr. Bailey noted modest changes on a statewide basis. He mentioned similarities among hospitals that serve higher acuity patients. Mr. Lessard noted UVA and VCU as exceptions.

A. Inclusion of Bon Secours St. Francis

Mr. Lessard noted that Bon Secours St. Francis was not included in the summary because the hospital was not included in the previous rebasing. The comparisons were revised to include Bon Secours St. Francis.

B. Inflation Update

Mr. Lessard received an inflation update of 2.39% which is down from the previous 3.1%; however the final rate will not be available until May 2010.

C. Updated Cost Reports

DMAS received updated base-year cost reports from UVA and VCU. Mr. Lessard explained the role of the updated cost reports and the OIG's recommendation that DMAS use the most recent RCCs. The

RCCs were lower than the initial values. These revised RCCs will be incorporated into the rebasing. The adjustments will result in lower case rates, per diem and potentially DRG weights.

D. MCO Capitation Rates
Capitation rates are adjusted to reflect significant changes.
From the rebasing alone there will not be a change in the capitation rates because the change is only marginal.

The managed care versus fee-for-service ratio of hospital expenditures was discussed. Mr. Bailey requested an update of this ratio in regards to inpatient hospital expenditures. It was noted that IME and DSH are separate from the MCO impact.

It was noted that the hospital case mix issue on the handouts from the 10/1 meeting were corrected.

Mr. Bailey suggested that for those hospitals seeing a significant decrease, we should analyze that further and conduct a targeted review of those hospitals (e.g. Norfolk General). Mr. Lessard restated the main reasons for the differences.

III. DSH

The council discussed three main issues related to DSH:

1. VHHA's request for DMAS to update DSH annually
   DSH will be updated in FY 2011, therefore, annual updates would not begin until FY 2012 at the earliest. Mr. Lessard estimated that DSH increased 10% annually over time, which is a significant budget impact. A possible alternative is to utilize a "fixed pie" model of distribution for annual changes in DSH.
   A policy brief for the budget package would be required addressing the fiscal impact.
   Mr. Bailey requested that more recent data should be reflected in DSH and requested it to be put in the budget submission. Mr. Lessard responded that it is too late to get it in for the budget submission; however, a policy paper could be prepared for the HPPAC.
   Mr. Bailey requested a DSH cap comparison emphasizing that DMAS needs to review the DSH cap calculation. The allotment may be inflated due to the impact of the stimulus bill.
   Mr. Bailey requested a policy paper on DSH be completed by DMAS in three weeks.
2. Consider the policy regarding out-of-state hospitals; "fair is fair" Virginia is more generous to out-of-state hospitals compared to surrounding states.
3. Improve completeness and accuracy of underlying data that drive the DSH results

Council members noted inconsistency in submission on cost reports and poor documentation by HMOs, leading to a discussion about requiring hospitals to report. Mr. Lessard reviewed the issues associated with inconsistent reporting of newborns across HMOs.

Mr. Becht asked for advice for hospitals that have a 14.99 DSH utilization percentage. Mr. Lessard explained that we cannot re-open settlements that are 2-3 years old. It is incumbent upon the hospital at the time of settlement to ensure their data is complete. Mr. Lessard explained that hospitals are cost settled 180 days after their reports are submitted; cost reports are required to be submitted five months after the end of their fiscal year. Mr. Bailey requested a list of hospitals that have tentative settlements.

IV. Next Steps

Mr. Lessard and Mr. Bailey summarized the deliverables from the meeting. Mr. Lessard advised that DMAS will circulate the revised rebasing results to the council members.

Meeting Adjourned.