MEMORANDUM

DATE: January 29, 2014

TO: Health and Human Services Budget Subcommittee

FROM: Greg Boattenhamer, Sr. Vice President, Government Relations, Iowa Hospital Association

SUBJECT: The Iowa Health and Wellness Plan and Affordable Care Act

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The Iowa Health and Wellness Plan Rollout

The Iowa Hospital Association appreciates the work of the Iowa General Assembly and Governor's office in passing legislation to expand access to health insurance through Medicaid to some 150,000 Iowans. IHA also appreciates the work done by the Iowa Insurance Division and those private insurers who applied to offer plans in the marketplace making affordable coverage options available to the remaining 150,000 uninsured Iowans.

IHA has been in contact with hospital CEOs, finance and billing staff, clinical directors and admissions staff to gauge the impact of these coverage expansions thus far. While still in the very early stages, IHA is pleased to report that there have been no reports of any major issues with regard to the rollout of Medicaid expansion or the insurance Marketplace in Iowa from a hospital perspective.

That said there are still minor issues and regional pockets of the state that are experiencing problems or confusion with the rollout.

First, as you're aware, the IowaCare program expired at the end of 2013. Individuals previously enrolled in that program were automatically re-enrolled into the new Iowa Wellness Plan (available to individuals between 0-100 percent of the federal poverty level). Administratively the decision to auto-enroll was supported by IHA, but there have been some reports of incorrect patient assignments for Iowa Care members where they are being assigned to physicians outside of their county.

Other hospitals are reporting that the patient managers have yet to receive any correspondence from Iowa Medicaid about which patients have been assigned to them. Recall that Medicaid has made available incentive payments for providers that agreed to take assignment of these patients. However, not having the ability to reach out to them is causing delays and confusion.

Hospital billing staff have reported questions regarding claims submission; in particular, there is a lack of clarity regarding how services provided to Wellness plan patients are to be coded on the claim to ensure Medicaid is notified that the provider has met the criteria for an incentive payment.

Overall, IHA recommends Medicaid re-double efforts to reach out to hospitals, especially those in counties that are not yet under the Iowa Wellness Plan managed care system. Nearly three-quarters of physicians in the state are employed by hospitals. While much of the outreach has been focused on physician clinics thus far, hospitals are likely to be the major employer of physicians in the remaining counties that are not yet under the Iowa Wellness Plan managed care system

Discussions with hospital CEOs in those remaining counties indicate they have not heard from Medicaid or were unaware that physicians needed to sign a contract in order to provide care and receive incentive payments for this population. This has caused many patients who reside outside of that county, but previously received care in the neighboring county, to be re-assigned to a new physician. In other words, some patient assignment decisions are being made based solely on geography which is causing concern from both the patient care and hospital market share perspectives.

There is also still confusion regarding the Marketplace Choice Plans. Many hospitals don't understand the relationship between Medicaid and CoOportunity Health or Coventry Health Care of Iowa. IHA has learned that in some cases Medicaid patients enrolled in those plans are receiving two insurance cards: one from the private payer and one from Medicaid, causing a variety of complications for hospitals. First, it is difficult to determine whether these individuals have one plan and one payer, or whether Medicaid is the primary payer and the private insurer is the secondary payer (a common occurrence for many patients who have supplemental plans).

Administratively, this has been a challenge and has resulted in unnecessary outreach to insurers to confirm the patient's coverage. **IHA recommends that insurers offering Marketplace Choice plans be required to develop a unique identifier (whether a different style of insurance card, or an easily recognizable modification to the plan identification number) for these patients to reduce confusion and allow hospitals to better track revenue and utilization from these newly covered patients. Particularly as the health care system moves toward patient-centered accountable care, hospitals need to be able to track patient utilization by payer with precise accuracy. More outreach and education needs to be done with patient account managers and billing and coding staff to ensure they understand these plans and how they are being paid for and administered.**

IHA has also learned that in some cases patients enrolling in Marketplace Choice plans are not able to easily understand the provider networks associated with the plans. In some instances, providers are only contracted with one insurer or the other. When this is the case, consumers should be better informed of the provider networks and availability of local providers based on the plan they select. This misunderstanding is leading to restricted access to local providers requiring patients to travel an unnecessary distance to seek care.

The Affordable Care Act Rollout

Overall, IHA supports the concept of increased access to affordable health insurance for Iowans. Over the past decade, charity care and bad debt costs for hospitals have skyrocketed as a result of the uninsured and underinsured. These increasing costs add to the overall cost of health care and skew the true cost of health care in Iowa and across the nation.

IHA is pleased that the Iowa Insurance Division and Iowa Medicaid Enterprise worked together to ensure that private health insurance plans as well as new Medicaid plans offered in the Marketplace are accessible to those in need. Despite initial technical setbacks at the federal level, IHA continues

to hear from hospitals that newly-covered individuals are receiving services at their facilities every day.

Additionally, IHA appreciates the fact that the Centers for Medicare & Medicaid Services amended the state's waiver to include a retroactive enrollment period and retroactive coverage start-date and that Iowa Medicaid developed a new web-based portal to allow hospitals to determine Medicaid eligibility presumptively, on-site and in near real-time. Combined, these elements give hospitals the tools they need to ensure patients can access both care and coverage and the hospital will be adequately reimbursed for the care delivered.

However, there are still many challenges that remain with regard to the rollout of the Affordable Care Act. The insurance market is in a period of extreme change, the economic impact of which is not yet known. Additionally, while still in the early stages, there are more and more patients accessing coverage every day; in turn, they are also accessing services that they could not have received before. The potential impact of this increased demand for services on Iowa's health care workforce and infrastructure could be extreme and must be closely monitored. Regardless, the Legislature should continue to pursue investments in Iowa's health care workforce by supporting policies that seek to attract high-quality health care professionals to practice in Iowa including funding such priorities like Medicaid rebasing, as well supporting the state's various health care educational institutions.

At the same time, insurance plans and products are changing. The concept of "narrow-band" provider network insurance plans are concerning to IHA. To summarize, these are insurance plans that offer lower premium rates to individuals, but have a very restrictive provider network that, for instance, would only allow a patient to seek care at a handful of specific hospitals and clinics. While a "closed provider network" is not new for insures, this trend is concerning from a hospital market share perspective, as patient choice of provider is economically important to the state's health care system.

Financially incentivizing patients to select plans with restrictive provider networks could compromise access to care locally and be financially damaging to hospitals that cannot afford to reduce their reimbursement rates any further in order to remain competitive. While this method could lead to lower premiums in the short-term, long-term it could have a devastating impact on small rural hospitals and access to local care.

As Iowa transitions to an expanded Medicaid program and transformed payment methodology, it is essential that Iowa hospitals be provided the resources necessary to serve this new population. While Medicaid expansion is financed by the federal government, those resources were largely paid for from hospital Medicare payment reductions, including approximately $1 *billion* in Medicare cuts to Iowa hospitals. Market share changes and other as yet undiscovered coverage gaps (including potentially high levels of bad debt owing to the purchase of high deductible insurance plans) require that the Iowa General Assembly and Medicaid support Iowa's hospital throughout this transition phase. This can largely be accomplished by fully funding the hospital rebasing process (which occurs every three years under Iowa Medicaid) in the FY 2015 budget.

In closing, Iowa hospitals are committed to continue providing the high-quality, low-cost care Iowans have come to expect. Hospitals are prepared to rise to meet these challenges and provide care for this newly-covered population. IHA looks forward to working with the Legislature to improve on and evolve this good first step the state has taken to expand access to coverage and provide affordable options to Iowans in need.