Washington
State
Hospital
Association

May 13, 2014

Mr. Jason R. P. Crabbe
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Health Care Authority
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***Comments on Stakeholder Draft Rules: WACs 182-550-3850, 7000, 7200, 7300, 7400, 7450, 7500, 7550, 7600***

Dear Mr. Crabbe,

The Washington State Hospital Association appreciates the opportunity to submit comments on the Health Care Authority (HCA) stakeholder draft rules.

As we have indicated in our previous comments on other related rules, it is challenging to provide meaningful comment when changes are done on a piecemeal basis, since the impact of a specific provision or definition is often dependent on information included elsewhere. While we understand the enormity of the task of revising and obtaining comment on so many rules in a short time period, we can only comment effectively on the rules when taken as a whole and we feel that there should have been a chance to review as a complete set.

Our greatest area of concern in this particular set of proposed rules is the proposal to implement an up-front budget neutrality factor reduction. We believe this adjustment is an arbitrary budget cut. A better approach would be for HCA to adjust payment rates prospectively, and then only if it can be established through measurement that payments under the new methodology are greater than the same set of services would be paid under the existing methodology and rates. Our specific concerns and suggestions are below.

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**WAC 182-550-3850**

As stated above, we strongly object to the proposal to apply a budget neutrality adjustment factor as an up-front reduction to rates. An up-front reduction would also be applied by the managed care Medicaid plans. While HCA may be committed to a reconciliation of payment with the hospitals regarding fee-for-service payments in the period prior to the measurement, we are concerned that the managed care plans may not have sufficient time or inclination to negotiate reconciliation provisions in their contracts with the hospitals. As a result, the three percent reduction could be applied with little or no opportunity for hospitals to recover payment if the amount of the adjustment, based on measurement, turns out to be either less than the amount of the reduction or unneeded. If payments were to be adjusted prospectively, this would not be an issue.

We appreciate HCA's effort to provide a specific methodology for measurement and reconciliation. However, there will most certainly be additional considerations for accurate measurement that may be fully known once the new methodologies are implemented. As there may be coding changes prompted by the new methodologies with unforeseen impacts, we request that the process for measurement and adjusting rates should only be finalized as a result of discussions with representatives of WSHA member hospitals. We believe the technical input provided by the WSHA task force was helpful for the rebasing policy discussions, and would be helpful again for this step in the process. This could be better accomplished if any necessary rate changes were to occur on a prospective basis rather than involve reconciliation of payments for a past period.

Concerns/suggestions for appropriate measurement:

- We believe the language should allow for additional adjustments that will only be realized after review of the data. It is simply not possible to know ahead of time what the appropriate adjustments will be until the data have been reviewed.

- We believe outliers should be excluded from the measurement of payment. While the rebasing model was designed to preserve the

current general proportion of outlier payments, it was not designed to ensure budget neutrality of the exact amounts of outlier payments.

- It is critical that any comparison include and compare all sources of payments for the services paid under EAPGs. The EAPG payment methodology bundles a number of services, such as laboratory services, that were previously paid outside of APCs as fee schedule payments.

- The proposed language should be clarified to exclude per diem services as well as per case rates. The proposed language does not exclude services paid on a per diem basis (such as inpatient psychiatric services) from the budget neutrality reduction adjustment. Since the payments are not affected by changes in severity, the new methodology does not create a risk of increased payments due to coding.

- The measurement language should exclude increases under RCW 74.09.611 (Medicaid Quality Incentive). We do not think these payments should be used for purposes of measurement as:
  - Payment for the one percent increase is fully funded through the safety net assessment program and federal match rather than general state funds.
  - Increases are in effect for a fixed period and do not carry forward as would a general payment increase.
  - The increased payment is an incentive for hospitals to improve quality. It is counter effective to punish hospitals for payment increases received due to improved quality, even if the reduction is applied to hospitals in the aggregate.

- We anticipate significant shifts in case mix of services due to the Medicaid expansion that may be more fully realized as time goes on. Any measurement mechanism should consider the impact of these shifts.

**WAC 182-550-7400**

We reiterate our previous concerns that these provisions give too much authority to apply a budget target adjustor to achieve a specific budget target. While we do not deny the budget target and adjuster language already exist in WAC, we believe there should also be separate and

independent language to establish a method to calculate sufficient and appropriate base rates to ensure payment reflects economy, efficiency, and access needs for Medicaid patients.

**WAC 182-550-7550**

We support the specific policy adjustor language regarding payments for pediatric services and for chemotherapy services in this chapter, as HCA staff discussed these adjustments with the task force. We want to note that the increase in payment for certain sole community hospitals was a legislative change and appropriation that occurred outside of the rebasing, and as a result should not be subject to the budget neutrality provisions. It is important that HCA excludes the increases in payments under this particular provision from any budget neutrality calculation.

Thank you again for accepting our comments. If you have any questions about our comments, please contact Andrew Busz at 206-216-2533 or AndrewB@wsha.org.

Sincerely,

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