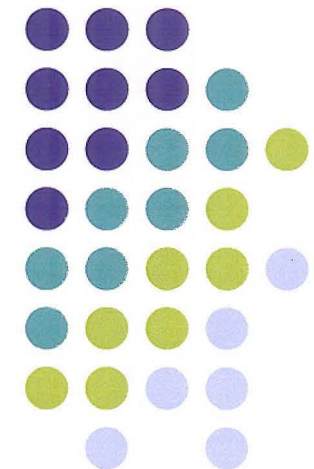


# North Dakota Healthcare Association

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## Health Reform Update November 2009

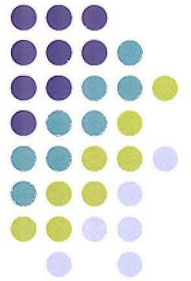




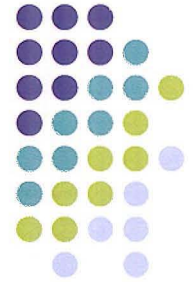
# House Reform Bill

- H.R. 3962, “America’s Affordable Health Choices Act of 2009”.
- Cost \$894 billion over 10 years.
- How’s it’s paid for:
  - \$460 billion from new income taxes
  - \$400 billion cuts to Medicare and Medicaid
  - \$20 billion fee on medical-device makers
  - \$13 billion from limited contributions to tax-free spending accounts
  - Other corporate taxes and fees.
- Expands coverage to approximately 96% of those legally residing in the U.S.
- 2,000 page bill.

# Concerns

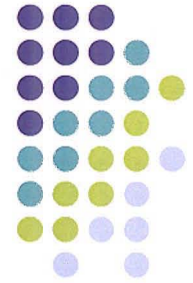


- Public Insurance Option
  - Provider payment rates would be negotiated with Secretary of the Department of Health and Human Services.
  - Reimbursement to providers based on the parameters below:
    - Floor – Medicare Rate
    - Ceiling – Average Rate within Insurance Exchange (Commercial Rate)
  - Early discussions had payment rates tied to Medicare. North Dakota hospitals would not support.



# Concerns

- Public Plan at Medicare rates will have negative impact on North Dakota.
- North Dakota Medicare rates do not cover the cost of providing services to patients.
- Medicare reimbursement in North Dakota is one of the lowest in the U.S.
- Medicare Payment Advisory Commission (MEDPAC) projects that hospitals will have a negative 6.9 percent Medicare margin in 2009.



# Concerns

- Annual net reimbursement impact to North Dakota hospitals at Medicare rates.
  - 10% (\$23 million)
  - 20% (\$66 million)
  - 30% (\$109 million)
  - 40% (\$152 million)
- Percentages above are assumptions based on insurers converting from private plans to a public plan.
- The numbers above include a decrease in uncompensated care for providers because of fewer uninsured.



# Concerns

- Providers at disadvantage when negotiating with the federal government.
  - No leverage.
  - Providers feel they will end up with Medicare Rates.
  - How do you negotiate with Government.
- House Bill does not contain any malpractice liability reform.





# Positives

- Medicare Payment Reform
  - House bill contains two studies, will make recommendations on how to fix the Medicare payment system, regarding geographic variations as well as changing the system to reward value and quality. Provides \$8 billion over two years to implement recommendations.
- Medicare Graduate Medical Education
  - Does not include cuts to indirect medical education for teaching hospitals.



# Summary

- Hospitals are dedicated to reform that helps us get high-quality care to everyone who needs it.
- We support a system that will reward high quality, cost-effective care, rather than the current system that has focused on the volume of care.