

Both the House and Senate have released outlines of their Health and Human Services budget bills to address a portion of the \$994 million state deficit. Most of this update will focus on the specifics of each body's bills.

House Moves Omnibus HHS Bill; Senate to Act Monday

The House HHS Finance Division passed their budget bill out of the House Finance Committee on Wednesday April 28. It reduces spending for HHS programs by \$18.4 million in FY10 and by \$147.9 million in FY11. In the Senate the final bill has not yet been released, but Sen. Berglin did release the spread sheet showing where the cuts will take place. Her bill reduces spending by \$6.69 million in FY10 and by \$113.4 million in FY11. Both bills are significantly better for physicians and hospitals compared to the \$346 million reduction proposed by the Governor and compared to the GAMC bill that passed earlier this year. Both the House and Senate proposals shift the GAMC population (adults without children earning less than 75% of FPG) to Medical Assistance (MA) through the early expansion allowed under the federal reform. Both bills also maintain coverage for single adults under MinnesotaCare and maintain current funding for the Medical Education and Research Cost (MERC) program, both of which were recommended to be cut under the Governor's budget proposal.

The bills differ in how they generate revenue to fund this expansion. The House imposes a 2.5 % HMO surcharge to draw down more federal matching funds, imposes a 3% cut to non-primary care physician payments in FY 11, and imposes a 7% ratable reduction for hospitals in FY 12 and FY 13, exempting the Children's Hospitals and Gillette from the cut.

The Senate proposal has fewer provider cuts but uses more MA surcharges on HMOs, hospitals, nursing homes, and group homes. It increases the hospital surcharge from the existing 1.56% to 2.63% July 1, 2010 and 2.3% January 1, 2011. Instead of cuts to provider payemtns the Senate cuts payments to health plans by 3% for the PMAP and by 10% for MinnesotaCare coverage for adults earning over 75% of FPL. These cuts save the state \$42 million and \$14.7 million respectively, but there is language that states that the health plans can not pass these cuts on to providers.

The schedule for next week is for the House bill to be in the Way's & Means Committee on Monday and could be on the House floor Monday or Tuesday. The Senate bill will formally be released Monday morning and passed out of the Senate HHS Finance Division. It would most likely be on the Senate floor by Wednesday.

Below are brief summaries of the House and Senate HHS budget proposals.

House HHS HF 2614

Article 2

Physicians and professional services

The House bill cuts physician reimbursements by 3% effective July 1, 2010. This does not apply to office visits and preventive medicine visits provided by family physicians, general internists, general pediatrics, and geriatricians.

Hospital Cuts

Hospital payments for inpatient admissions are cut by 7% beginning June 1, 2011. This is where the House bill gets a large portion of its savings. Children's Hospitals and Gillette Children's Hospital are exempt from this cut.

HMO Surcharge

A new 2.5% surcharge is applied to HMOs and Blue Cross to capture more federal matching money. This increase is effective June 1, 2010. The bill then increases payments to HMOS after August 1, 2010 by 1.4% to pay back some of the surcharge, but then cuts payments made to HMO's by 1% on January 1, 2011 to get more savings.

Payment Reform Demonstration Project

The bill establishes a demonstration project for providers serving an identified group of patients who are enrolled in a state health care program and are high utilizers of services or have characteristics that put them at risk of being high utilizers. The goal is to reduce hospitalizations, ER visit, high cost medication, specialty services, or nursing home or long term care. The projects will give priority to providers serving patients with chronic medical conditions or complex medical needs that are complicated by a physical disability, serious mental illness, or serious socio-economic factors. The project must reduce total cost of care.

There is also an Intensive Management Care Program established for enrollees over 18 who are in the top 5% of total costs. The program is designed to reduce costs by 20%.

Therapy Services

As opposed to the Governor's recommendation to eliminate coverage for therapy services, the House bill requires prior authorization for the following services:

- Physical therapy services exceeding 80 unites of any approved CPT code, 20 modality sessions, and 3 evaluations/reevaluations.
- Occupational therapy services exceeding 120 units and 1 evaluation.
- Speech therapy exceeding 50 treatments and 1 evaluation.

Other Changes

- **Oral interpreter** services are covered only if the interpreter is on the registry or roster established by the commissioner, effective July 1, 2010.
- Sets the **MA** eligibility level for **adults without children earning up to 75% of FPG** retroactively to April 1, 2010 for and funds this expansion with the HCAF.

- Reduces **non-emergency co-payments** for ER's from \$6 to \$3.50 and increases the monthly maximum from \$7 to \$12.
- Establishes a **MinnesotaCare supplemental hospital coverage** option to pay for inpatient hospital costs over \$10,000 and requires MinnesotaCare marketing materials to state that adults without children in MinnesotaCare are responsible for hospitalization costs over \$10,000.
- Includes **Medication therapy management** as a covered service under GAMC between April 1 and May 31.

Article 5, Miscellaneous

Autism Spectrum Disorder Coverage

The bill creates a new mandate for coverage of specific services for autism spectrum disorder. It specifies coverage levels and the type of treatment providers and services. It exempts the state employee health plan from the mandate due to the cost to state's budget. Some of the private plans currently cover these services and some don't.

Coverage for Private Duty Nursing Services

The bill requires health plans to pay for private duty nursing services at the same level as Medical Assistance. This is designed to provide incentives to keep people out of the hospital and saves the state money.

Office of Inspector General

The bill creates a new Office of Inspector General within the Department of Human Services. This office is designed to enhance anti-fraud activities. It is unclear why this office is needed and how it differs from the anti-fraud activities that DHS current does.

Article 6, Department of Health

E Health Records and Health Information Exchange

The Health Information Exchange bill is included in this bill. Health information exchanges are designed to allow individual HIT systems to be interoperable. The bill will ensure that all information follows the patient across the full continuum of care, prevent fragmentation of health information that can occur when there is not interoperability or cooperation between health information exchange providers, ensures that organizations that form exchanges are adhering to nationally recognized standards, ensure patient privacy and security and ensures that that the Minnesota infrastructure is in place by 2010 to allow Minnesota providers and hospitals to achieve the meaningful use standard. The bill also establishes oversight and fees for health information exchanges.

Birth Center Licensing

The birthing center licensure bill is also included in the HHS budget bill. It establishes licensure for birth centers using the Commission for the Accreditation of Birth Centers (CABC) standards and includes other professionals in reviewing birth center outcomes including representative of the College of OB/GYN, American Academy of Pediatrics,

the Minnesota Hospital Association, and the Minnesota Ambulance Association. It also adds birth centers to the list of essential community providers.

Lead Levels

The bill directs the Commissioner of Health to revise clinical and case management guidelines for blood lead levels to reflect new recommendations for protective action and follow-up services for child blood lead levels that exceed 5 micrograms of lead per deciliter of blood. The Commissioner is required to consult with a statewide organization representing physicians, the public health department of Minneapolis and other public health departments, and nonprofits with expertise in lead abatement and complete the revisions by January 1, 2011.

Article 7, Health Care Reform

Accountable Care Organizations (ACO)

The bill provides language to allow the development of ACOs. It requires DHS to establish uniform definitions for the total cost of providing all necessary services to a patient through an ACO as specified in the federal reform bill. It permits an ACO to establish package pricing beginning July 1, 2012. It requires quality measurements for ACO's by June 30, 2012, and published comparative price and quality information on the total cost of care by January 1, 2013.

Health Care Homes

The bill provides slight modification to our health care home language for eligible individuals with chronic conditions who select a designated provider, a team of health care professionals, or a health teams as the individual's home to assure compliance with the federal reform bill.

Federal Health Care Reform Demonstration Project

It requires the Commissioner of Human Services to apply for all of the demonstration grants in the federal reform including:

- Evaluation of integrated care around hospitalization.
- MA global payment system
- Pediatric ACO
- MA emergency psychiatrist and
- Grants to provide incentives for prevention of chronic diseases.

Health Care Reform Task Force

The bill requires the Governor to re-establish the Health Transformation Task Force to advise and assist in the implementation of the federal health care reform bill. It requires a report to the Legislature on recommendations by December 15, 2010.

Health Insurance Exchange

The bill also requires state to apply for one or more planning grants relating to establishing state insurance exchange. The Commissioner shall also consider whether the exchange should be established before the federal deadline of January 1, 2014.

Senate HHS Bill Ready Monday

The Senate is not as far along in the process as the House bill. The HHS Finance Division released its spreadsheet for how and where the bill makes cuts this week, but the bill draft has not yet been completed. The bill is expected to be released Monday morning and acted on Monday afternoon. Based on the spreadsheet, the Senate cuts \$120 million for the FY10/11 biennium.

Included in the Senate recommendations are the following:

- It expands MA coverage to adults without children earning less than 75% of FPL (\$115 million) as of June 1, 2010, using the HACF.
- It increases the hospital MA surcharge from 1.56% to 2.63% July 1, 2010 and 2.3% January 1, 2011. This raises \$43 million of which hospitals receive roughly \$35 million back in various adjustments to their MA rates.
- It does not include any new cuts to physician payments, but it does extend the 1.5% cut that the Governor instituted through unallotment to FY12 and FY13.
- It delays hospital rebasing through January 1, 2013, which saves the state \$9.2 million in FY11 and \$94 million in FY12/13.
- Increases managed care withhold
- It increases the HMO MA surcharge by approximately 1%
- It reduces payments made to HMO's for MinnesotaCare single adults earning above 75% of FPL by 10% and for PMAP by 3% effective July 2010. These cuts can not be passed on to providers.
- It increases the appropriation to the Board on Pharmacy to fund NASPER program. The costs of this program will be access to the other licensing boards that regulate prescribers.
- The bill does not make any cuts to MERC and does not eliminate coverage for single adults in MinnesotaCare.