Delaware Healthcare Association

January 8, 2021

Wayne A. Smith
President & CEO

Secretary Molly Magarik
Delaware Department of Health and Social Services
1901 N. DuPont Highway,
New Castle, DE 19720

Dear Secretary Magarik:

On behalf of Delaware's hospitals and health care delivery systems, the Delaware Healthcare Association opposes certain recommendations included in the *Independent Study of Rate Methodologies for Services Delivered by Divisions within the Delaware Department of Health and Social Services* (DHSS) done by Burns & Associates, Inc impacting the reimbursement for hospital services. The recommendations to make changes to the Medicaid hospital reimbursement methodology will create significant financial and administrative burden on Delaware hospitals.

As outlined in the epilogue of House Bill 225, the intent of the study is to review the differing methodologies used for provider rates for services delivered vulnerable and at-risk populations and should include options to create a consistent methodology for addressing provider rates that also "promotes access to service."

Unfortunately, Recommendation #9 in the report would negatively impact Delaware's hospitals and their ability to provide access to high quality healthcare in our state. The recommendations would add hundreds of millions of dollars in uncompensated care to the already staggering $543.1 million in uncompensated care Delaware hospitals and health systems already experience on an annual basis (Community Benefit Activities Report for fiscal year 2018).

Specifically, recommendation #9 in the report recommends that Medicaid reimbursement for hospital inpatient and outpatient services should be more aligned with the way Medicare pays for services. For inpatient hospital services, the report recommends changing from a per discharge rate not base on acuity to one that is based on acuity using a diagnosis related grouping (DRG) system. For outpatient hospital services, the report recommends changing reimbursement to a "more sophisticated rate structure" such as the Medicare Outpatient Prospective Payment System. These recommendations would put significant strain and burden on Delaware hospitals and health systems at a time when they are still coping with the effects of the COVID-19 pandemic.

(While the recommendation addresses the fee for service program (FFS), managed care organizations (MCOs) typically adopt FFS policies and we assume MCOs would migrate to a system proposed under Recommendation #9. The harm in terms of threat to access of care

is certainly there should Recommendation #9 be adopted for the FFS program. It is of course magnified many times were Recommendation #9 extended to MCO platforms as we would expect.)

The loss of revenue – expected to be hundreds of millions of dollars -- from a conversion such as this one is staggering and threatens the health system's ability to invest in the latest medical technology, maintain wages, and expand services in our communities. Ultimately it would impact patient's ability to access care thereby lowering the overall health status of our communities.

In addition to the loss of revenue directly resulting from the conversion, hospitals and health systems would need to be prepared for the tremendous administrative burden and cost associated with overhauling their current systems to adapt to the change.

Initially, Delaware hospitals and health systems would need to divert resources away from current investments in needed clinical programs and reallocate them toward Patient Financial Services and Information Technology to make the required changes for generating claims and designing new workflows to support the DRG based system. This conversion would create an administrative burden in the training of team members to understand the billing and reimbursement under Medicaid beneficiaries. This would also require the development of computer systems to transition Medicaid to the Medicare Methodology resulting in system costs for reprogramming, impacting both core and bolt-on systems.

Hospitals would also need time to develop needed systems and train staff to manage and monitor reimbursement and process payments for accuracy. Changes would also be necessary to the contracts system to correctly capture the expected reimbursement. All of these changes would at the very least require a 12-month lead time.

Another concern is hospitals would invariably be open to more payment denials and recoveries using audits and other payment reviews. If this shift in methodologies happens, our health systems will be asked to defend their DRG assignment through audits which ultimately undermine the physician's assessment of acuity and unjustifiably reduces revenue.

Delaware's hospitals and health systems are still recovering from the financial strain of the COVID-19 pandemic. Now is not the time to add additional financial and administrative burden.

Thank you for the opportunity to provide feedback on the Independent Study of Rate Methodologies for services delivered by DHSS. We hope you consider our strong concerns recommend against implementing the study's recommendation for hospital reimbursement changes at this time.

Sincerely,

Wayne A. Smith