



# Outpatient Hospital Rate Improvement Program (HRIP)

*Budget Review Subcommittee  
on Human Resources*



**Kentucky  
Hospital  
Association**

**August 17, 2022**



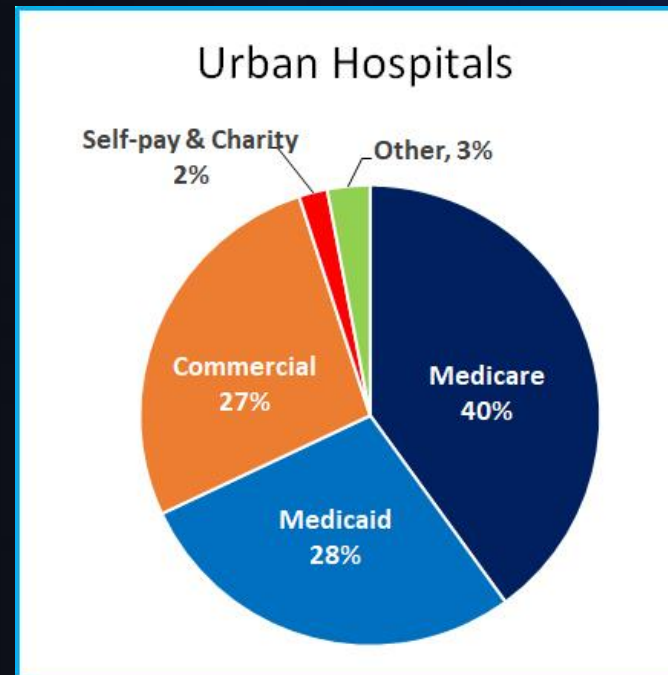
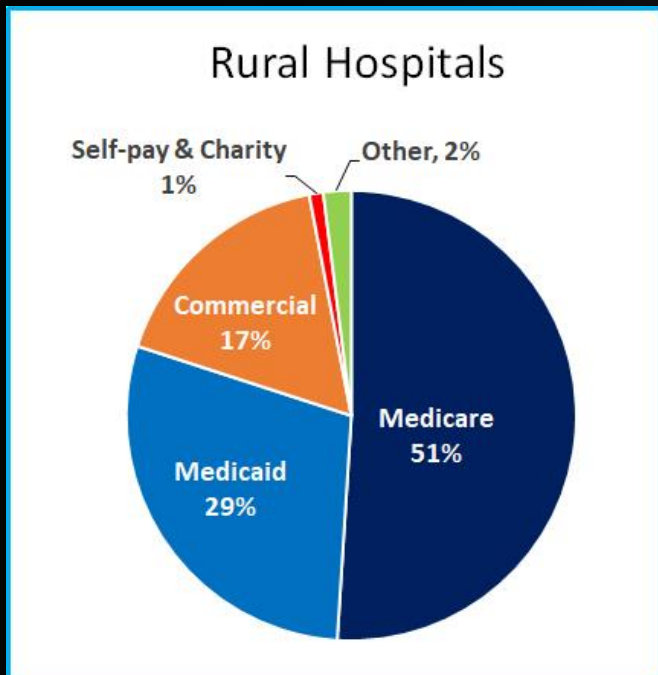
# Legislation Passed by the General Assembly is Making an Important Impact

## Inpatient Medicaid Hospital Rate Improvement Program (HRIP)

- Passed by the legislature in 2019, revised 2021
- **NO COST TO THE STATE**
- Program subject to annual approval from CMS
- Hospitals receive a supplemental payment for each inpatient Medicaid claim
  - 80% federal funds, 20% state funds from an assessment paid by the hospitals
  - Hospitals must meet certain quality metrics
- Has kept many hospitals afloat due to COVID losses, staffing costs, and inflation

# Medicare and Medicaid Pay Below Cost

- 70 - 80% of hospital patients are governmental
  - Medicare pays 90% of Cost
  - Medicaid pays 95% of Medicare (85% of cost)
  - **Governmental payment rates are NON-NEGOTIABLE**
- Rural hospitals have fewer commercial and more Medicare and Medicaid patients



# Hospitals **LOST** MONEY From COVID

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- COVID patients more costly to treat – used more PPE and services
- Loss of vital revenue from elective procedures
- Federal assistance largely ended before hospitals experienced ongoing costs from the Delta and Omicron surges, and serving as vaccine sites
- Hospitals and health systems are in their **worst financial shape in decades due to the coronavirus.**

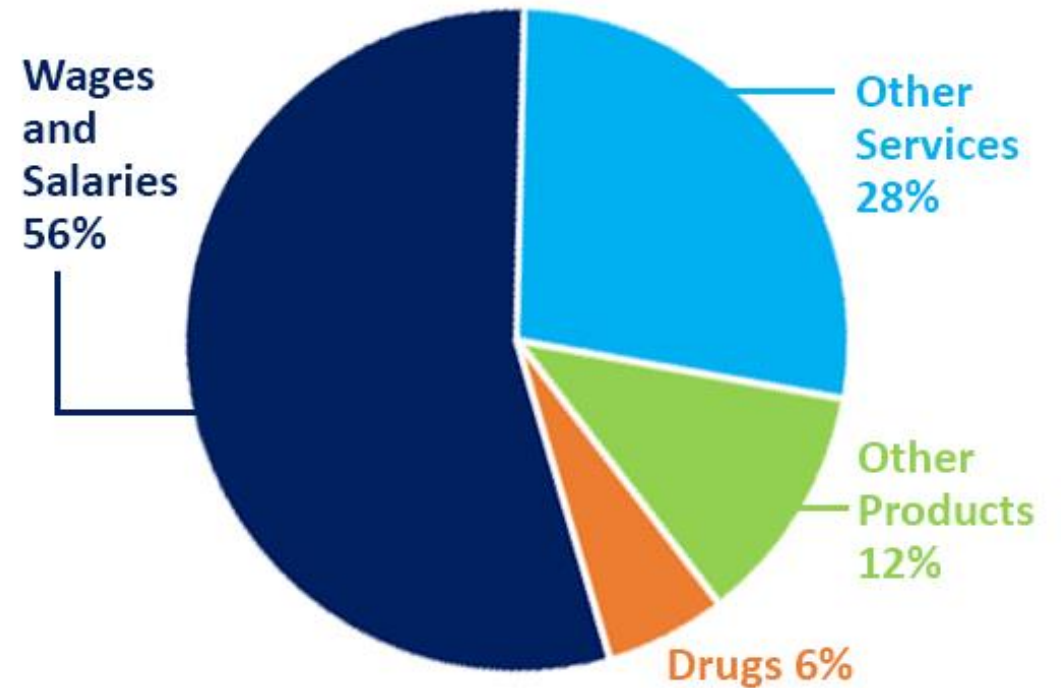
# How Would Outpatient HRIP Operate?

- Hospitals receive additional payment based on outpatient Medicaid services
- **Would favor rural hospitals that have a higher proportion of outpatient versus inpatient services**
- **NO COST TO THE STATE**
  - Hospitals pay assessment to cover state match and administrative expenses
- Same infrastructure as the existing inpatient HRIP program
- CMS approval required



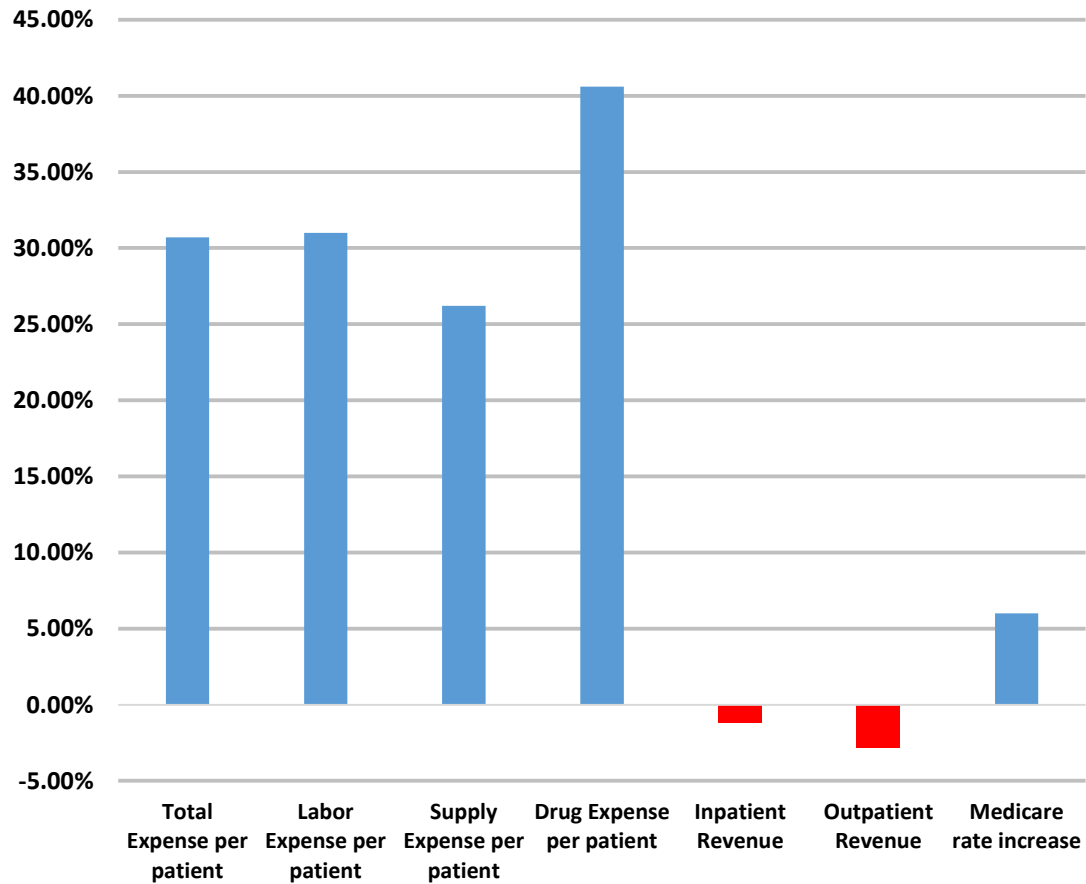
# 75% of hospital costs: Labor, drugs, supplies

Employee wages and benefits constitutes the largest percentage of costs for inpatient hospital services.



# Hospital expense increases are NOT sustainable

Costs and Revenues Pre and Post Pandemic in US Hospitals  
Feb 2020 - Feb 2022



Source: Kaufmann Hall National Flash Report, March 2022; Hospital Cost Reports



# Cost Increases Can't all be Passed on to Private Insurers

## Two commercial plans cover 80% of enrollees

Plan	Individual		Small Group		Large Group				All Lines	
	Enrollees	% Indv	Enrollees	% Small Group	51-100 Employer Size		101+ Employers		Enrollees	%
					Enrollees	%	Enrollees	%		
Aetna	0		5	0%	602	2%	358	0%	965	0%
Anthem	47,622	53.20%	27,314	49%	22,981	58%	115,447	59%	213,364	56%
CareSource	41,915	46.80%	0		-		-		41,915	11%
Cigna	0		0		-		5,870	3%	5,870	2%
Humana	1		18,408	33%	9,585	24%	62,057	32%	90,051	24%
Nippon	0		0		257	1%	-		257	0%
United	0		9,573	17%	6,224	16%	11,514	6%	27,311	7%
<b>Total</b>	<b>89,537</b>		<b>55,300</b>		<b>39,649</b>		<b>195,246</b>		<b>379,733</b>	

Anthem and Humana = 80% of all commercial insurance in KY

Care Source = 11% and only operates in the individual market

Source: Kentucky Department of Insurance; These are self-reported, unaudited numbers.



# Expansion of HRIP

- Help stabilize hospital finances
- Support quality efforts
- Help mitigate rising costs
- Help rural hospitals in particular
- **NO COST TO THE STATE**

