

The background of the slide features a low-angle shot of the Kentucky State Capitol dome. The dome is a large, white, tiled structure with a series of windows near its base. Below the dome, several classical columns are visible. The sky is a deep blue with large, white, fluffy clouds. The sun is visible, creating a lens flare effect and illuminating the edges of the clouds.

Update on Kentucky Hospitals

***“Gathering Storm but
Silver Lining”***

Medicaid Oversight and
Advisory Committee
June 22, 2022



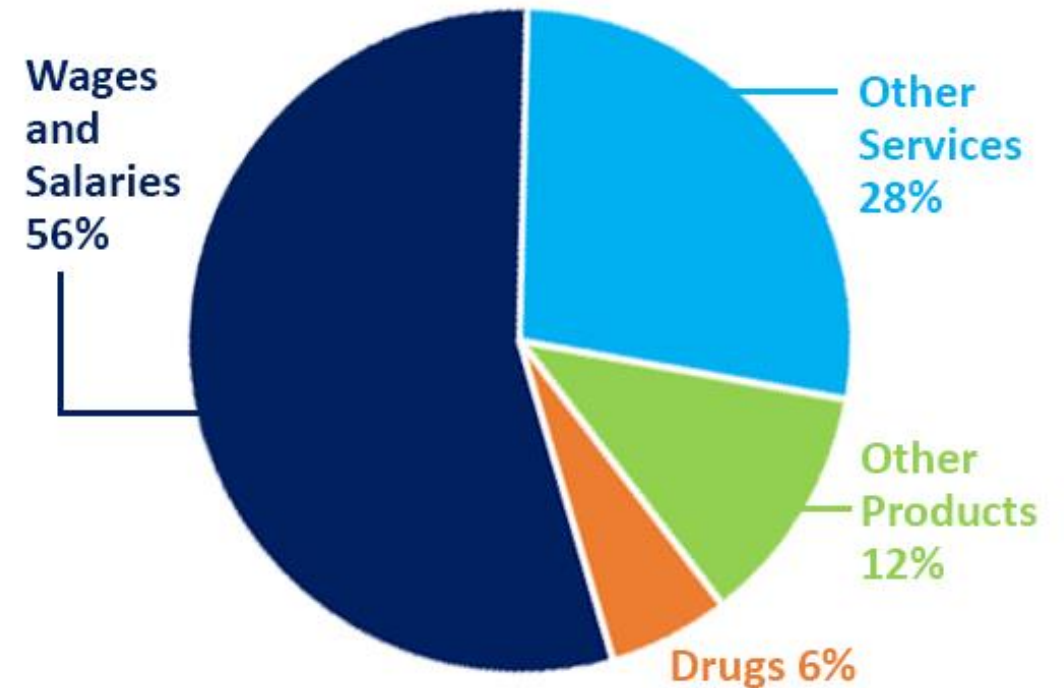
Legislation Passed by the General Assembly is Making an Important Impact

- **Inpatient Medicaid Hospital Rate Improvement Program (HRIP)**
 - Passed by the legislature in 2019
 - **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
- **Credentialing Alliance Being Implemented**
 - August, 2022 – Credentialing for the largest three Medicaid MCOs
 - Aetna, Wellcare, Passport by Molina



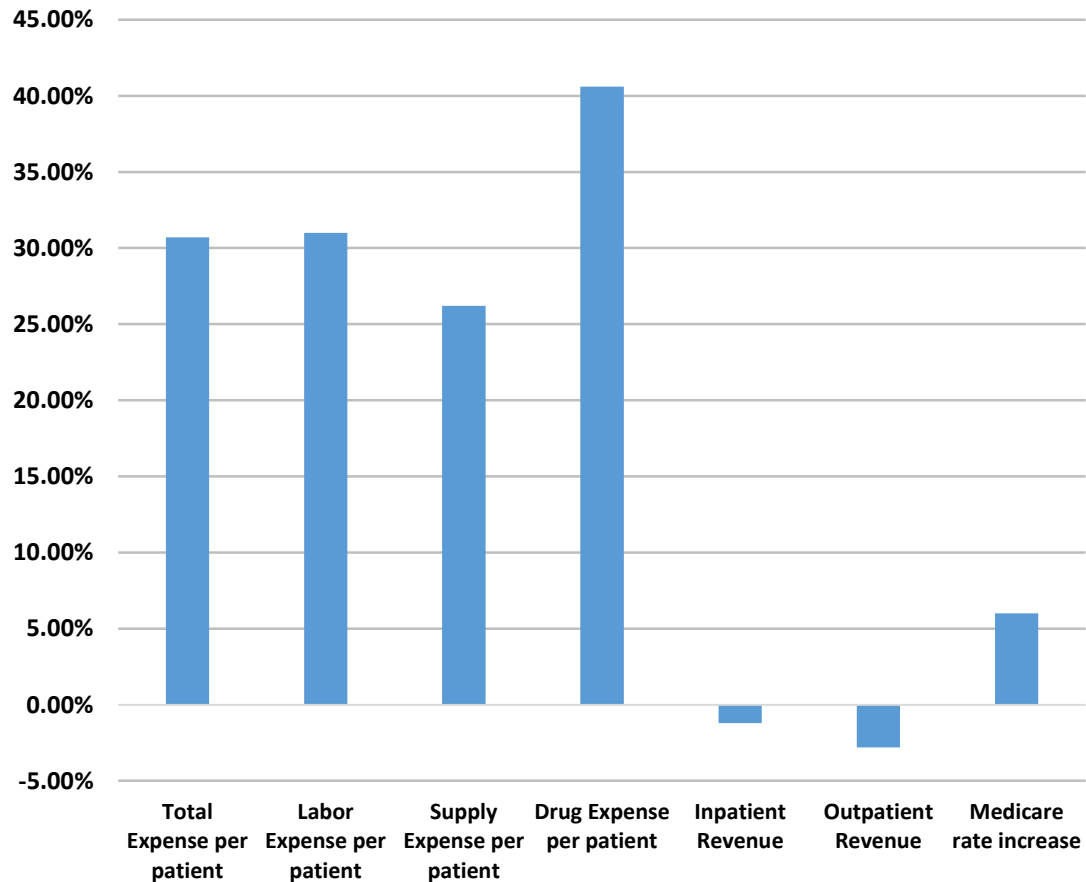
Many factors affect the cost of care.

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

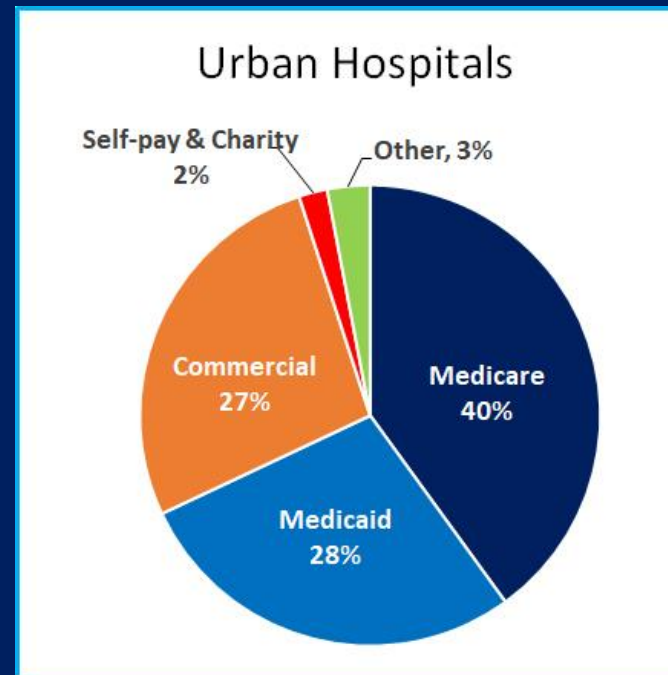
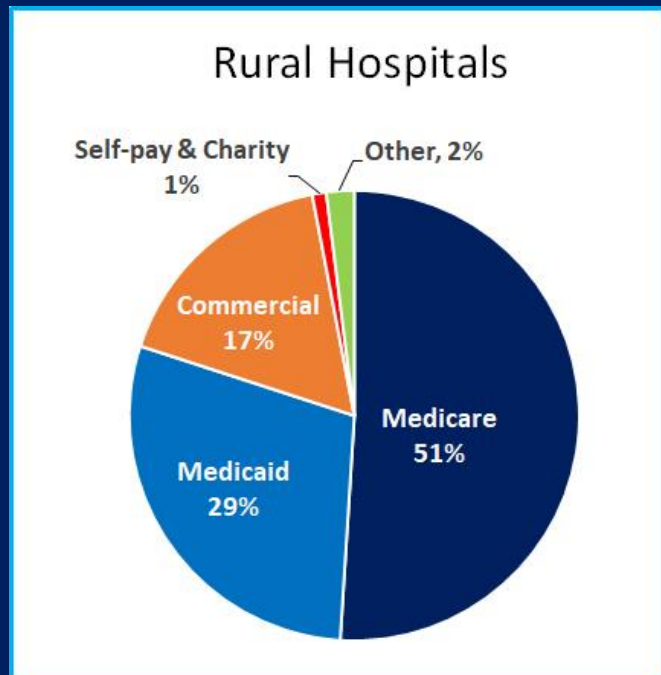


Source: Kaufmann Hall National Flash Report, March 2022; Hospital Cost Reports



Hospitals Simply Can't Raise Prices

- 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



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

- Two commercial plans cover 80% of enrollees

	Individual		Small Group		Large Group				All Lines	
					51-100 Employer Size		101+ Employers			
Plan	Enrollees	% Indv	Enrollees	% Small Group	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%
Total	89,537		55,300		39,649		195,246		379,733	

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.

The Outlook is Grim for Hospital Finances

According to a national report:

- April marked the **fourth straight month of negative median margins** this year for hospitals across the country – this does not bode well for the remainder of 2022
- Volumes remained low but **patients are sicker and more expensive to treat**
- **Labor shortages have not eased**, keeping costs high, along with **supply shortages and inflation**

Source: Kaufmann Hall, National Flash Report, May 2022

Silver Lining

An Outpatient HRIP program is needed

- NO COST to the State
- Infrastructure already in place
- Will particularly assist rural hospitals
- Will be tied to quality outcomes
- Must be federally approved