Ohio Children's Hospital Association

Saving, protecting and enhancing children's lives

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Testimony before Ohio House of Representatives Finance Subcommittee on Health and Human Services
HB 49 – As Introduced
Wednesday, March 22, 2017

Good afternoon Chairman Romanchuk, Ranking Member Sykes and members of the Ohio House Finance Subcommittee on Health and Human Services. My name is Nick Lashutka and I am here to testify on HB 49 as President & CEO of the Ohio Children's Hospital Association (OCHA).

Ohio has the world's best statewide network of children's hospitals – Akron Children's Hospital, Cincinnati Children's, Dayton Children's, Nationwide Children's Hospital, UH/Rainbow Babies & Children's Hospital and ProMedica Toledo Children's Hospital. Several of our institutions are ranked among U.S. News & World Report's best children's hospitals, and all our members are ranked best in class in the nation in various aspects of pediatric care.

All our members are members of the Ohio Hospital Association (OHA) and we partner very closely with OHA on issues affecting the hospital industry and specifically about policies affecting children's health and health care.

Ohio's children's hospitals are also significant employers. Our six hospitals employ more than 36,000 Ohioans – including 4,300 employed physicians – providing good paying, high quality jobs and serving as economic engines for our communities throughout Ohio. Our researchers and medical professionals are leading the nation in health care innovation, pediatric research, and quality and patient safety initiatives.

Importantly, in addition to my role as President & CEO of OCHA, I'm also here today as a parent of four children – all of whom have benefitted from the outstanding quality of care, groundbreaking research, and world class patient safety efforts of such incredible pediatric institutions in our state. We are so fortunate in Ohio that our greatest asset – our children – have access to world-class affordable health care that is a great value to taxpayers.

<u>Ohio Children's Hospital Facts:</u>

Before talking about specifics of HB 49, I wanted to share a few facts about our membership and the unique critical role children's hospitals play in Ohio's health care delivery system.

- Ohio is the only state in the nation with a flagship children's hospital within a two-hour drive of every family, including our most rural parts of the state. This is the direct result of the state making a priority to regionalize pediatric health care within specific perinatal regions as defined by the Ohio Department of Health.

- All 2.4 million Ohio children receive the highest quality care in our hospitals when needed, regardless of their family's ability to pay – including the more than 1.2 million children enrolled in Ohio Medicaid.

- Well over half of the patients in children's hospitals (55.74%) rely on Medicaid for their insurance coverage, by far the highest share of Medicaid patients of any hospital type.

- Ohio children's hospitals received more than $345 million in competitively awarded pediatric research grants from the National Institutes of Health (NIH) and other funding last year – more than any other state in the country.

- OCHA members collectively provide more than $800 million in community benefit – I will provide specific examples of how children's hospitals are working with their local communities to improve the health of children later in my testimony.

- We are engaged more collaboratively than ever in innovative relationships with private commercial insurance companies and, importantly, Ohio's five Medicaid managed care plans. Many of these programs are risk-based with shared savings models that are transforming care to Medicaid children and providing significant savings to the state.

Perhaps most importantly, children's health care in Medicaid is a good investment in Ohio for patients and their families, decision makers and taxpayers.

FACT: Ohio's Medicaid costs for children are among the lowest of any state nationwide. According to the Office of Health Transformation, Medicaid costs for children in Ohio are 22% below the national average. And Ohio ranks 47th nationally in costs per month for pediatric Medicaid expenditures.

OCHA Research Collaborative – *please see attached graphic*

Ohio is the only state where the children's hospitals collaborate on groundbreaking pediatric research that ultimately improves the quality of care for children in the health care delivery system and pulls costs out of the system. The projects target those conditions where there is the greatest need for children and specifically those conditions impacting the Medicaid program:

- Ohio Pediatric Asthma Repository (OPAR)
- Neonatal Abstinence Syndrome (NAS) – otherwise known as babies born drug-dependent
- Children's Initiative Research on Pneumonia (CHIRP)
- Timely Recognition of Abuse Injuries (TRAIN)

These research efforts are made possible as the result of investments by Governor Kasich and Attorney General Mike DeWine. The work of the OHCA Research Collaborative has gained national attention, widely recognized as research with the potential for broad application and potential to improve care and reduce costs.

Importantly both the NAS and TRAIN research projects are being spread throughout adult hospitals through our partnership with the Ohio Perinatal Quality Collaborative and the Ohio Hospital Association to ensure these protocols are available wherever children may receive their health care. In addition, we are exporting the NAS work across the country, helping children's hospitals in other states benefit from our leadership.

Ohio Children's Hospitals Solutions for Patient Safety (OCHSPS): In addition to being President & CEO of OCHA, I also have the privilege of serving as President of OCHSPS. OCHSPS, which includes our six member OCHA hospitals plus the Cleveland Clinic Children's Hospital and Mercy Children's Hospital in Toledo, is the national leader in pediatric patient safety. By partnering with Ohio's business community and specifically the Ohio Business

Roundtable and Cardinal Health, we have brought the rigor of High Reliability Organizations into the health care setting and made a commitment to eliminate serious harm in our hospitals.

- OCHSPS initial Ohio work focused on Adverse Drug Events (ADEs) and certain Surgical Site Infections (SSIs) resulting in more than 12,500 children who didn't experience harm that resulted in $12.4 million in unnecessary costs being removed from Ohio's health care system.
- OCHSPS set a goal to eliminate all serious harm in our hospitals. To date by focusing on eliminating specific hospital-acquired conditions and enhancing a culture of safety at their institutions, Ohio members have achieved a 70% reduction in Serious Safety Events since the creation of OCHSPS in 2009.
- Our success has attracted interest from children's hospitals across the country- and continent – and we now operate the Children's Hospitals Solutions for Patient Safety national network, which consists of over 120 children's hospitals across North America.
- We are the national patient & employee safety arm of the Children's Hospital Association.
- The national network, by focusing on eliminating specific hospital-acquired conditions and enhancing a culture of safety at their institutions, has prevented serious harm from occurring to more than *6,900 children resulting in more than $130 million in unnecessary costs being removed from the health care delivery system.*

<u>OCHA Medicaid Funding FACTS</u>:

- OCHA members serve a substantially higher percentage of Medicaid patients than most providers, ranging from 50.7% of all discharges to 64.5% of all discharges within our members for an overall average of 55.74% Medicaid for Ohio's children's hospitals.
- Medicaid hospital payments are less than the cost of providing care to these children – even after accounting for beneficial funding programs such as the Hospital Care Assurance Program (HCAP) and the Hospital Franchise Fee.
- In 2015, the last Medicaid cost report year available, the Medicaid shortfall for payments versus costs for children's hospitals was over *$300 million*. This was a substantial increase over the 2014 figure of $171 million in Medicaid shortfall.
- As our Medicaid patient load has increased, we have seen a corresponding decrease in our commercial insurance business. Every one percent shift in patient caseload from commercial insurance to Medicaid represents an additional $2 million to $14 million annual loss for a children's hospital in Ohio, depending on hospital caseload.
- Children's hospitals and other Ohio hospitals have been subjected to substantial Medicaid hospital reimbursement cuts in each Kasich Administration budget. The Medicaid funding cuts for hospitals proposed in HB 49 are substantial, and will have a negative impact on our ability to provide high quality – cost effective care for children.

<u>Medicaid Expansion & Insurance for Ohio Children: The Facts</u> – *please see attached graphic*

Stable, Predictable & Adequate Medicaid Funding: Stable, predictable and adequate funding mechanisms for children's health and children's health care in our state are mission-critical to our ability to continue to provide better outcomes, achieve the goals we've articulated above and make important investments upstream in the health care delivery system on social determinants of health and population health initiatives.

ISSUE 1: Reform Hospital Payments – Medicaid Managed Care Non-Contracting Provision

We believe the language forcing Ohio's hospitals into non-negotiable relationships with managed care plans is unnecessary (see below) and respectfully request its removal from the bill. Each time this budget proposal has been introduced by the past two Governors the legislature has removed it from the budget bill for good reason.

Importantly, we don't understand the problem this budget provision is attempting to solve. Moreover, we don't understand – and cannot account for – the assumed projected cost savings the introduced version of the budget.

First, savings of this magnitude would assume that a large number of hospitals suddenly go out of contract with Medicaid managed care plans and revert to the Medicaid fee for service schedule. An occurrence that is highly improbable. Also, given the capitated rates paid to the managed care organizations are set by the state's actuary on an annual basis, it would be a near impossibility for the state to realize any such savings in SFY 18. For these reasons we would encourage this committee to question the validity of these projections in the introduced version of the budget bill.

A few additional points to underscore why this provision is unnecessary:

FACT: Since this provision was last removed from the proposed state budget bill, Ohio hospitals have dramatically increased their overall contractual relationships with Medicaid managed care plans. My colleagues from the Ohio Hospital Association have already shared that 100% of Ohio hospitals have contracts with Medicaid managed care plans, and 96% of all possible contracts between hospitals and the five Medicaid managed care plans are currently in place.

FACT: The hospital franchise fee model has a powerful incentive for hospitals to contract with Medicaid managed care plans. In order to receive the dollars that flow back to the hospitals from the federal match, $324 million from the hospital franchise fee program will require hospitals to have contractual arrangements with Medicaid managed care plans. Without a managed care contract, there is no franchise fee benefit to a hospital, plain and simple.

FACT: As a condition of removing this provision from its last appearance in the state budget, OCHA voluntarily agreed to remove the provision in which the Ohio Department of Medicaid required each Medicaid managed care plan to have a children's hospital in its network. Again, we made a significant concession to address the concerns of the Administration at that time that children's hospitals had too great of leverage at the negotiating table with Medicaid managed care plans.

ISSUE 2: Reform Hospital Payments – High Medicaid Hospital Rate Reduction Protection

Children's hospitals were exempt from the original Medicaid hospital inpatient and outpatient 5% rate cut associated with adult Medicaid expansion – because adult Medicaid expansion provides no positive financial impact on children's healthcare. This policy was instituted through an Executive Order issued by Governor Kasich. As stated

earlier in my testimony, OCHA members are the highest hospital Medicaid providers in the state of Ohio. We are working with the Ohio Department of Medicaid to advocate that the policy recognition in the Executive Order protecting children's hospitals from these rate cuts continue with this new budget provision for high Medicaid hospitals in HB 49.

ISSUE 3: Reform Hospital Payments – ICD 10 Coding

The International Classification of Diseases, Tenth Revision, Clinical Modification (ICD-10-CM) is a system used by physicians and other healthcare providers to classify and code all diagnoses, symptoms and procedures recorded in conjunction with hospital care in the United States. The proposed budget assumes that hospitals are experiencing an inflation of Medicaid payments as the result of the change to ICD 10 from the previous version. OCHA members are having difficult time understanding the methodology behind this budget cut, as our members are experiencing at best neutral payments compared to the previous version and in some circumstances reduced Medicaid payments.

ISSUE 4: Bureau of Children with Medical Handicaps (BCMH)

HB 49 seeks significant changes to Ohio's historic program to provide protection for families with children who have significant medical conditions. The changes being proposed are worthy of a policy discussion with the Ohio Department of Health, the Ohio Department of Medicaid, the clinicians who provide care for these children and, importantly, the families who support these children on a daily basis.

OCHA has partnered with ODH & ODM, along with the Medicaid managed care plans and the clinicians and families on ways to ensure the program can continue to serve Ohio families. We stand ready to continue this important policy discussion.

However, we cannot support changes to the program that will essentially change eligibility for families from approximately 500% of the FPL to 225%, even with the proposal to grandfather non-Medicaid eligible families into the current BCMH program. The state would be creating and paying for two separate programs at two agencies with different eligibility standards, depending on whether a child with one of these genetic conditions was born just before the effective date (500% FPL) or the day after the effective date (225% FPL). This creates a great deal of uncertainty for families who may have other members of their families diagnosed with these conditions or potentially other children born with the same diseases.

While we are certainly not opposed to examining potential reforms to the BCMH program, we would encourage a more thoughtful and deliberative review that would include input from families with children served by the program, as well as the medical professionals who care for them. For this reason we respectfully request this provision be removed from the bill.

ISSUE 5: Reduction in Payments for 340B Eligible Drugs

Twenty-four years ago, President George H. W Bush signed a bill, passed with bipartisan support, into law creating the 340B drug discount program. Through this program eligible hospitals and community health centers can access discounted drugs, assists these institutions in delivering their charitable mission.

HB 49 proposes that Medicaid reimbursement rates for 340B eligible drugs be adjusted down, in effect allowing the State, not charitable healthcare institutions to capture the drug discount. The Administration estimates that this policy will result in $40 million in annual savings to the state, achieved through lower reimbursement to hospitals.

American Health Care Act – Children At Risk:

Medicaid is critical to the health of our children. That is why those of us in pediatrics are so concerned about the recently proposed American Health Care Act. The proposal, in effect, puts the health care benefits of 30 million children who depend on Medicaid at risk. There is no guarantee that funds intended for child health care will be used for that purpose. There is no guarantee that children who most need coverage will receive coverage. The proposal must be altered and improved so the access children now have to health care is assured.

How is it possible that the American Health Care Act, meant to replace the adult-focused Affordable Care Act, could have this detrimental effect on children? Because the newly proposed act changes the way Medicaid is funded, and children make up more than 40 percent of the Medicaid population.

In closing, we are proud of our collaboration with our patients, families and communities to provide the right care in the right place at the right time efficiently and effectively. We look forward to working with legislative leadership and the Kasich Administration regarding population and overall child health – not just the care delivery that happens within Ohio's children's hospitals' walls, but also in the community.

Thank you as always for your time, and I'd be please to answer any questions.

OCHA Research Collaborative

ROI FOR PATIENTS, PROVIDERS AND TAXPAYERS

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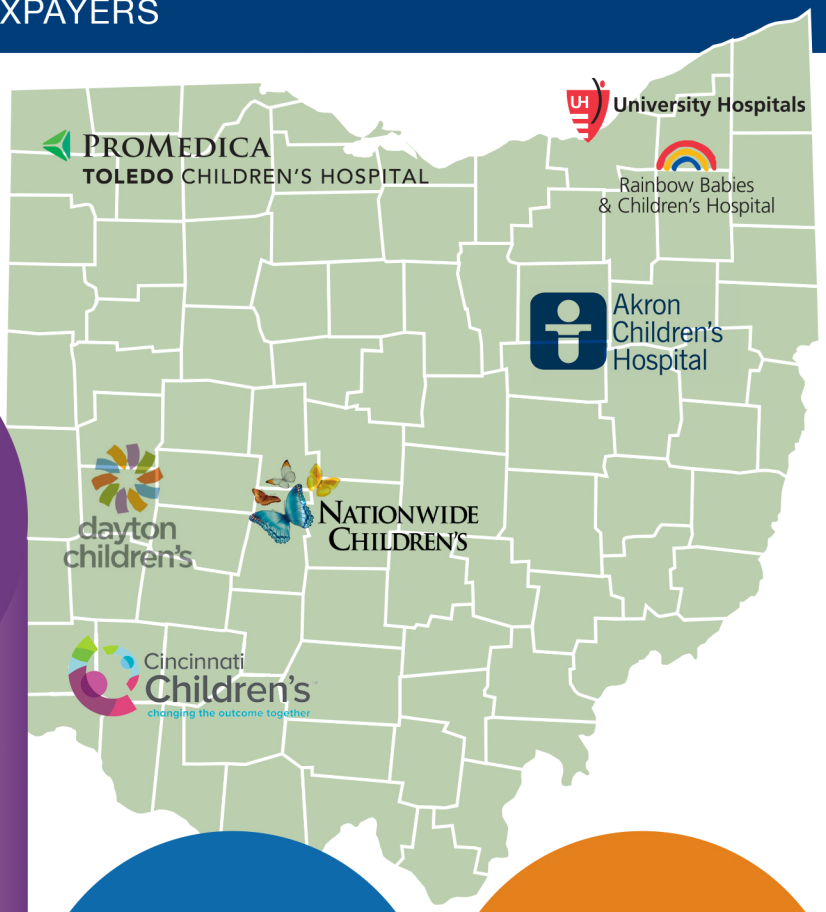
Ohio is the first state

in the nation to develop a statewide infrastructure for research of this magnitude—

SAVING CHILDREN'S LIVES



PEDIATRIC ASTHMA

- **3,000 children: First-ever** statewide repository for asthma data in country. *(Ohio Pediatric Asthma Repository – OPAR)*
- **Decreased cost** with innovative tool to provide individualized risk and severity assessments at point of care.
- Now creating **personalized, research-based treatment options** for most at-risk children.

Research Publications

Published (January 2015) in Pediatrics "Heterogeneity in asthma care in a state-wide collaborative: the Ohio Pediatric Asthma Repository," with three additional papers pending publication: "Systems-Level Care Practices and Patient-Level Risks Independently Contribute to Increased Hospital Length of Stay for Pediatric Asthma Exacerbation: the Ohio Pediatric Asthma Repository"; "Obesity and Asthma in Inpatient Setting: the Ohio Pediatric Asthma Repository"; and "Impact of Secondhand Smoke on Inpatient Asthma Practices: the Ohio Pediatric Asthma Repository."

Why?

With between 40–70 percent of pediatric patients with asthma not responding well to standard therapy, this work provides a tremendous opportunity for improving health outcomes and decreasing costs by personalizing health care.

TOTAL INVESTED (2013 & 2015):
$2 Million
(allocated by Governor Kasich)

NEONATAL ABSTINENCE SYNDROME*

- **Largest research sample** of babies with NAS in the country – nearly **3,000** babies
- Saved **$13 million** in costs.
- Protocols in use in **96%** of Ohio's Level 2 & 3 NICUs.
- Reduced NAS length-of-stay by 4.6 days - **$4,600** per stay.
- **OCHA Protocol exported to 5 additional states:** Delaware, New Hampshire, Vermont, Massachusetts, Tennessee, and Michigan.

Research Publications

Published first project Pediatrics in August 2014 "Hall, et al for the Ohio Children's Hospitals Research Consortium. A multi-center cohort study of Treatments and Hospital Outcomes for Neonatal Abstinence Syndrome." Pediatrics Vol. 134 pp. e527 -e534.; Presenting at the Pediatric Academic Society an abstract for second project "Results of dissemination of a Potentially Better Treatment Protocol in Ohio Children's Hospitals"; Third abstract project: "Impact of Polypharmacy and Tobacco exposure on the intensity of treatment"; and New protocol "Impact of morphine and methadone on the QT length in infants with NAS - a safety study."

Why?

Ohio has one of the highest infant mortality rates in the country. Ohio has **5,100 NAS hospitalizations, 19,000 patient days** and **$70 million in costs in one year.**

**Otherwise known as babies born drug-dependent*

TOTAL INVESTED (2013):
$1 Million
(allocated by Governor Kasich)

PEDIATRIC PNEUMONIA

- Now developing **advanced molecular protocols** to diagnose and identify high-risk patients to **improve outcomes.**

Why?

This is the **leading cause of death** in children under age 5.

TOTAL INVESTED (2015):
$1 Million
(allocated by Governor Kasich)

SENTINEL INJURIES

- Now **enhancing provider awareness, detection and response** to suspected physical abuse of babies across inpatient and outpatient care settings.

Why?

1 in 3 abused children in Ohio has received medical care for a possible abuse injury prior to diagnosed abuse.

TOTAL INVESTED (2015):
$1 Million
(allocated by Attorney General DeWine)

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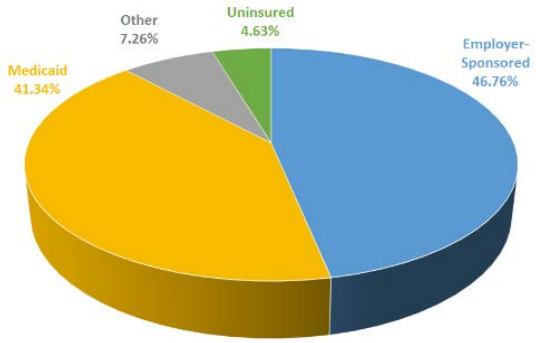
MEDICAID EXPANSION & OHIO CHILDREN: THE FACTS

March 2017

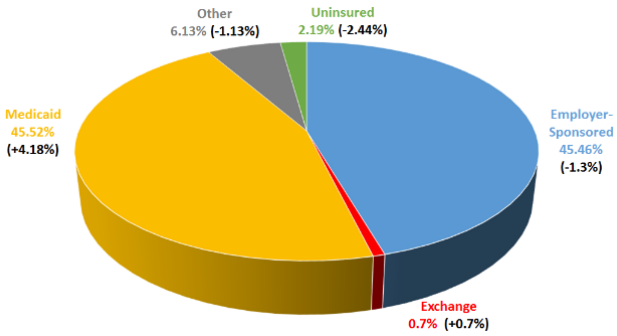
Adult Medicaid Expansion did not benefit Ohio children.

Prior to expansion, Ohio children were already eligible up to 200% of the Federal Poverty Limit (FPL), and children's hospitals sought to aggressively enroll eligible children and families to ensure they had the coverage they needed.

2012: 2,587,944 Ohio children



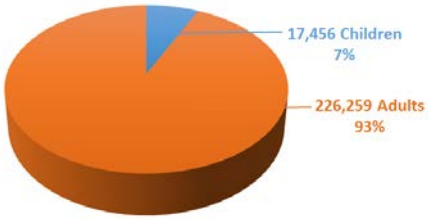
2015: 2,488,091 Ohio children
(-4% from 2012)



- Total children with Medicaid in 2015: 1,132,645*
- In Ohio, Since 2012*:
  - Total population of Ohio children: decreased by 99,853.
  - Employer-sponsored insurance: decreased by 79,122.*
  - Uninsured children decreased by 65,295.
- The Ohio Department of Medicaid reported that 534 individuals 0-18 are in Group VIII (Expansion Population) of the total 715,000.** This represents 0.074% of the total Group VIII population.

Taking all of these factors into account, child Medicaid coverage increased by 63 children since 2012.*

A very small percentage of Ohio children participate in the Ohio Federal Exchange.



The Children's Health Insurance Program (CHIP) is critical to ensuring Ohio children have the coverage they need:***

181,100 Ohio Children are covered by CHIP
at a 97% Federal Medical Assistance Percentages (FMAP) rate.

* http://grcapps.osu.edu/dashboards/OMAS/child/
** SFY 2016 Medicaid Snapshot, Ohio Department of Medicaid
*** http://www.medicaid.ohio.gov/Portals/0/Resources/Reports/SCHIP/SCHIP2015.pdf

Akron Children's Hospital · Cincinnati Children's changing the outcome together · dayton children's · Nationwide Children's When your child needs a hospital, everything matters.™ · University Hospitals Rainbow Babies & Children's Hospital · ProMedica Toledo Children's Hospital