Ohio Children's Hospital Association

Saving, protecting and enhancing children's lives

Testimony of
William Considine, President & CEO, Akron Children's Hospital and Immediate Past Chair, Ohio Children's Hospital Association

Ohio Senate Finance Committee
HB 49 – As Passed by the House of Representatives
Tuesday, June 6, 2017

Good morning Chairman Oelslager, Vice Chair Manning, Ranking Member Skindell and members of the Ohio Senate Finance Committee. My name is Bill Considine and I am President and CEO of Akron Children's Hospital and Immediate Past Chair of the Ohio Children's Hospital Association (OCHA). I am here to testify on behalf of the Ohio Children's Hospital Association regarding the Medicaid portions of HB 49 affecting children.

We are the voice of Ohio's youngest patients, their families and health care providers. Our members are dedicated to saving, protecting and enhancing children's lives.

Ohio has the world's strongest 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. Three of our hospitals are consistently ranked in the top 10 nationally and all our members are first in class or best in class in clinical care or research.

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

We are committed to ensuring that all 2.4 million Ohio children, including the 1.3 million children on Medicaid, have access to the highest quality health care possible, delivered in a cost-effective manner. 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.

<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 – and especially Ohio's Medicaid program.

- 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.

- Over half of the patients in children's hospitals (53%) 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 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)

Our Solutions for Patient Safety patient safety network, which began with 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's initial Ohio work focused on Adverse Drug Events and certain Surgical Site Infections, 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 nearly 7,300 children resulting in more than $113 million in unnecessary costs being removed from the health care delivery system as of May 2017.*

As Passed by the House HB 49 – Provisions of Importance to Children's Hospitals

ISSUE 1: 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.

Medicaid Expansion & Insurance for Ohio Children: The Facts – please see attached graphic

OCHA Medicaid Funding vs. Costs – please see attached graphic

- Children's Hospitals did not benefit from changes in adult Medicaid eligibility for the Group VIII population.
- Children's Hospitals Medicaid payment shortfalls continue to increase. In 2015, the shortfall for our six members was $300.7 million, an increase of $129.5 million from the previous year (2014 OCHA Medicaid shortfall was $171.2 million).

Children's Hospitals have continued to experience Medicaid rate reductions since the passage of the last biennial budget bill – please see attached graphic

OCHA respectfully requests the Ohio Senate recognize that Ohio's children's hospitals didn't benefit from adult Medicaid expansion, and that the Senate version of the bill ensures stable, predictable & adequate Medicaid funding for Ohio's children's hospitals.

ISSUE 2: Medicaid Managed Care Non-Contracting Provision

The As Introduced version of HB 49 contained language that would have forced Ohio's hospitals into non-negotiable relationships with managed care plans. We believe this provision is unnecessary, and respectfully requested the House remove it from the bill, which they did.

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 associated with this provision.

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 that 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.

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.

We respectfully request the Ohio Senate keep this onerous provision out of HB 49.

ISSUE 3: Bureau of Children with Medical Handicaps (BCMH)

The As Introduced version of HB 49 proposed 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.

While we are certainly not opposed to examining potential reforms to the BCMH program, we support the Ohio House's proposal to encourage a more thoughtful and deliberative review of the program to include input from families with children served by the program, as well as the medical professionals who care for them.

For these reasons, we respectfully requested the House remove this provision from the bill, which they did. We respectfully request the Ohio Senate keep the proposed changes to the BCMH program as reflected in the As Introduced bill out of HB 49.

ISSUE 4: Comprehensive Primary Care (CPC) – Patient Centered Medical Homes

CPC creates impetus for primary care practices to move toward value versus volume based care. If we are focused on reducing cost of care, we will look for best alternatives to providing care. These initiatives could include making care more easily accessible in venues outside of the clinic, improving access to the clinics, and leveraging our staff so that the most cost effective person can deliver the care.

Akron Children's Hospital, Nationwide Children's Hospital and Cincinnati Children's have all worked very hard to ensure pediatric practices were included in the CPC early adopter model. We did this as it is critically important for pediatrics to be able to participate and have a voice in the development and implementation of value based models of care in the state of Ohio. If we develop and implement better models of primary care early in life, we can alter the trajectory of the health of these children, decreasing impact/cost on system as these children age into adulthood.

We respectfully request the Ohio Senate restore funding for this important program.

Mr. Chairman thank you, this concludes my formal testimony and I'd be please to answer any questions you or members of the Committee may have.

Attached material:

- OCHA Research Infographic
- Medicaid Expansion & Insurance for Children: The Facts
- OCHA Medicaid Funding Shortfall & Impact of the AHCA
- Ohio Children's Hospital Medicaid Funding Cuts

OCHA Research Collaborative

ROI FOR PATIENTS, PROVIDERS AND TAXPAYERS

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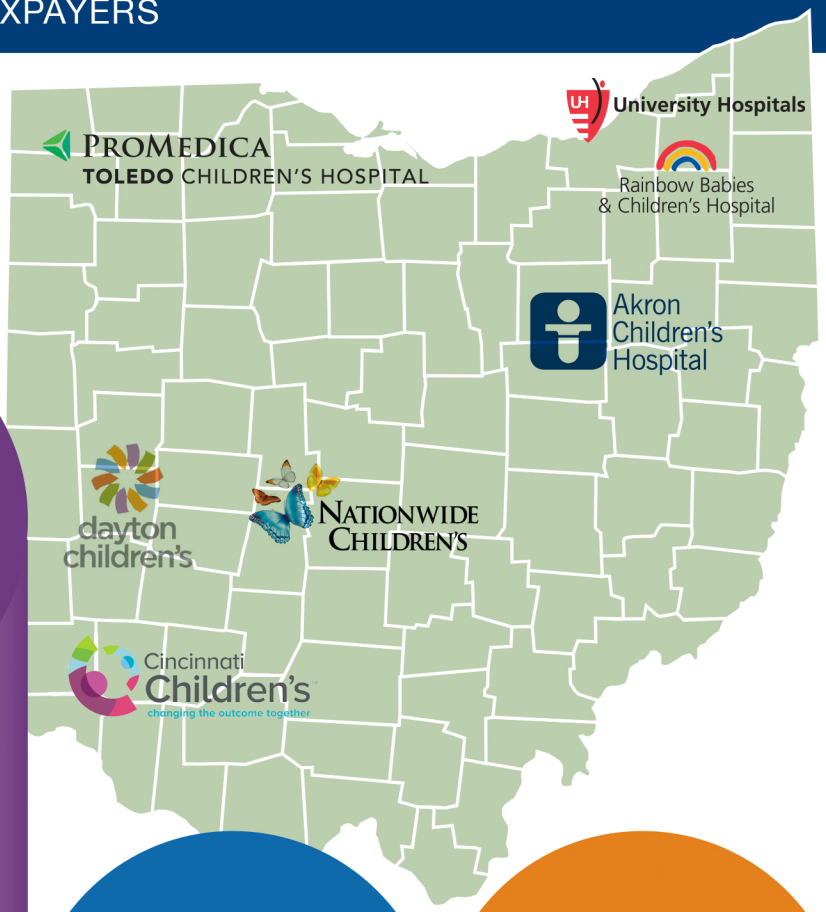
Ohio is the first state

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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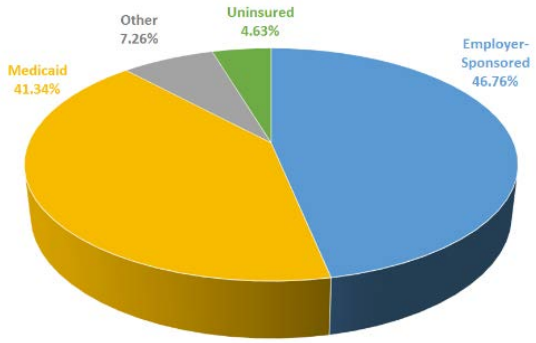
MEDICAID EXPANSION & OHIO CHILDREN: THE FACTS

May 2017

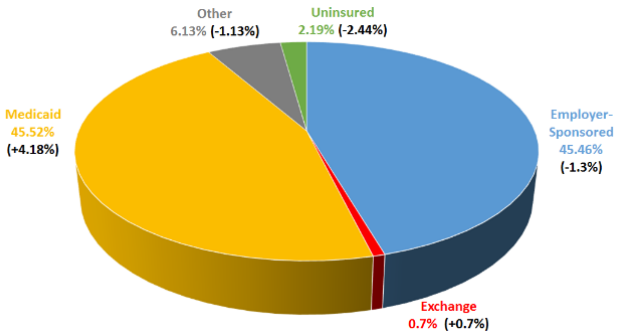
Adult Medicaid Expansion did not benefit Ohio children.

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



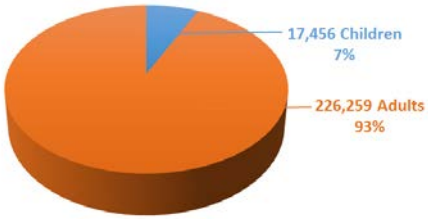
2015: 2,488,091 Ohio children
(-4% from 2012)



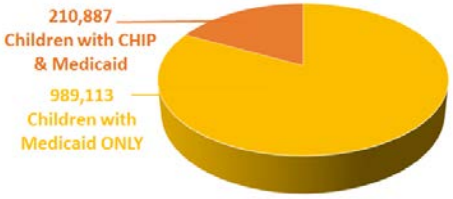
- Total children with Medicaid in 2015: 1,132,645*
- In Ohio, Since 2012*:
  - Total population of Ohio children: decreased by 99,853.
  - Employer-sponsored insurance: decreased by 79,122.*
  - Uninsured children decreased by 65,295.
- The Ohio Department of Medicaid reported that 534 individuals 0-18 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, but only covers a small portion of Ohio children:***



210,887 Ohio children are covered under CHIP with a 97% Federal Medical Assistance Percentages (FMAP) rate.

* http://grcapps.osu.edu/dashboards/OMAS/child/
** SFY 2016 Medicaid Snapshot, Ohio Department of Medicaid
*** ODM enrollment report dated April 2017

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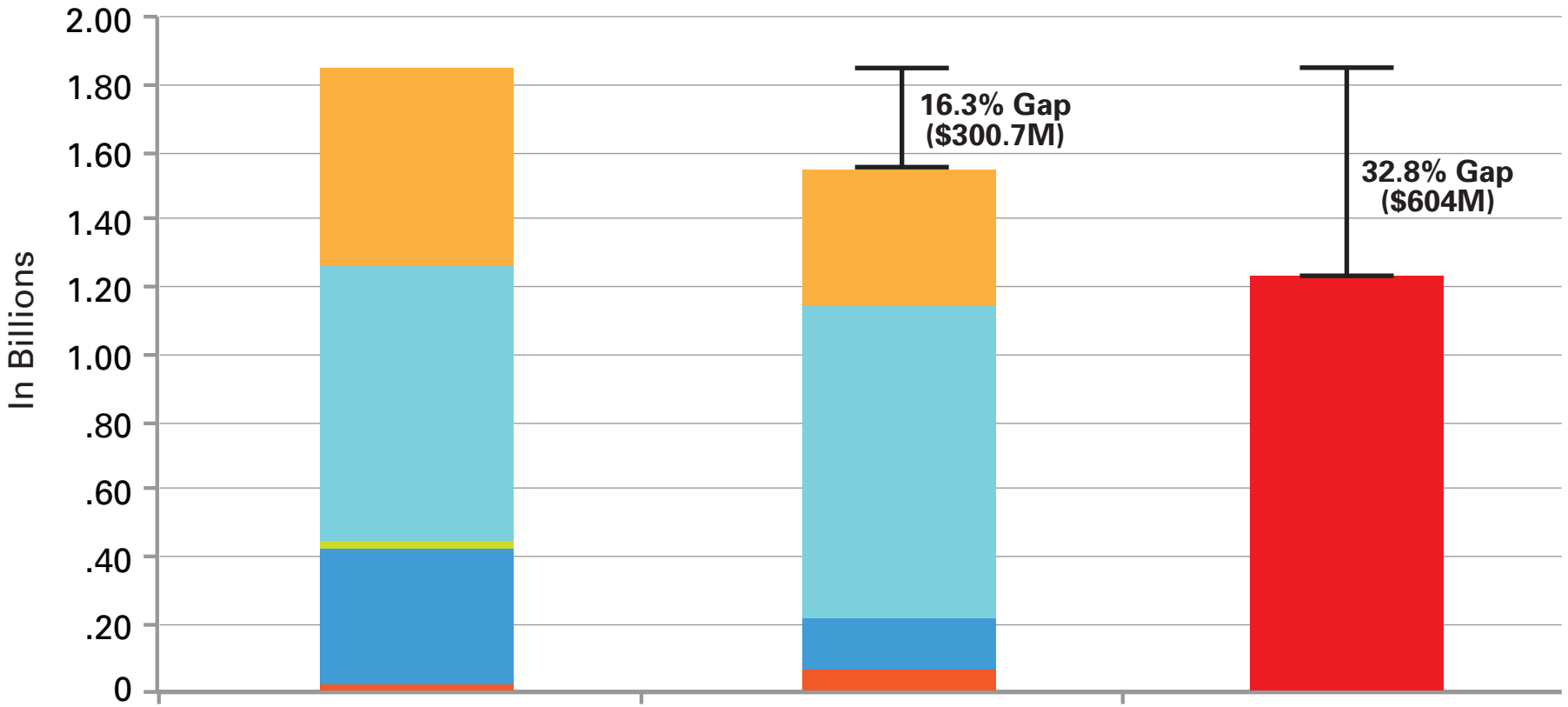
2015 MEDICAID FUNDING vs. COSTS AT-A-GLANCE

Based on 2015 Data (state fiscal year beginning July 1, 2014 or calendar year beginning January 1, 2015 depending on each hospital's fiscal year)



Enactment of per capita caps or block grants as currently envisioned would result in a 20.75%* reduction in Medicaid payments for Ohio children on Medicaid (note this does NOT include the disabled children who are catego-rized with the adult disabled). This scenario assumes that the fiscal gap of FY 2015 was unchanged in FY 2025 except for the impact of proposed federal changes.

*Proposed Block Grants, Per Capita Caps and Their Impact on Ohio Medicaid Funding for Children, A Capital Partners Report, April 28, 2017, based on data from Kaiser Family Foundation, Center for Budget and Policy Priorities, and Center for Community Solutions.

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THE FACTS ABOUT CUTS TO OHIO CHILDREN'S HOSPITAL MEDICAID FUNDING

Ohio's children's hospitals are taking more than $194.7 million in cuts in the current 2016-2017 biennium.

Proposed cuts in the introduced version of the SFY 2018-2019 budget, if enacted as proposed, would result in an additional $101.23 million of children's hospital funding cuts.

Children's Hospital Budget Cuts:

- SFY 2012-13: $92.59 million
- SFY 2014-15: $153.25 million
- SFY 2016-17: $194.7 million
- SFY 2018-19 (projected): $295.23 million*

**Note: Of the $295.23 million in estimated cuts $101.23 million are additional budget cuts as envision in the introduced version of HB 49 over and above those currently in place. Additionally, as the highest Medicaid volume hospitals in Ohio, we have assumed all children's hospitals will be eligible for the proposed High Medicaid Hospital peer group contemplated in the introduced version of the budget, and exempt from all or part of the across-the-board hospital rate cut, as described by ODM. However, if not exempted, the projected cuts in SFY 18-19 increase.*

General Assembly	Budget Bill/Administrative Action	Funding Cuts Affecting Children's Hospitals
129th	HB 153	MCO Capital, Paragraph L, Outlier, Part B
130th	HB 59	Same cuts as above rolling forward plus capital to 85%, Paragraph L
131st	HB 64	Same cuts as above two budgets plus OP rolling, Paragraph L, NCCI edits, readmissions
132nd	HB 49*	Same cuts as above three budgets rolling forward plus ICD-10, non-contracting, across the board hospital cuts with full or partial exemption for High Medicaid Hospitals

**Proposed cuts*

Ohio Department of Medicaid Hospital Inpatient/Outpatient Model 13

Ohio's hospitals worked with the Ohio Department of Medicaid on an updated methodology for inpatient and outpatient reimbursement for hospital services adopted late in 2016 called Model 13. While the overall net impact of the changes appear to be neutral, children's hospitals are experiencing a significant change by all being placed into one peer group instead of six separate groups by perinatal region. And as a children's hospital peer group, we are expected to absorb a 2.19% Medicaid inpatient rate cut as the result of the new reimbursement model, which is the second highest cut by hospital peer group (NOTE: The inpatient rate cut is offset to a degree by changes to the outpatient reimbursement model).

Medicaid funding is critical to the health of Ohio's children.

- Ohio's children's hospitals are the single largest Medicaid provider. Medicaid covers HALF of Ohio's children – or 1.3 million kids.
- More than half of the patients in children's hospitals rely on Medicaid for health care coverage – 53% of all patients who receive care in our hospitals have Medicaid for insurance.
- Adequate, sustainable, predictable funding for children covered by Ohio Medicaid is critical to the health of our children, our future workforce and the long-term vitality of our state.

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