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Global Budgets for Rural Hospitals in New Mexico

Report to the Legislative Health and Human Services Committee on Analyses Related to Health Care Cost Drivers in New Mexico

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Agenda

01 Study Approach

02 Stakeholders' Responses and Literature Findings

03 State Government Capacity

04 CMS Participation

05 Financial Analysis

06 Conclusions

07 Questions and Answers

Study Approach

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NORC study requested by New Mexico

- NORC responded to the Legislative Council Service request for proposals, June 28, 2023
- NORC was selected to study the feasibility of global budgets for rural hospitals in New Mexico
  - Studies of global budget implementation had already been provided to New Mexico in recent years
  - NORC was charged to focus on feasibility of global budgets

Study methods and three approaches to the analysis:

Literature review of published articles and reports to establish background for potential global budget policy in New Mexico

- Including studies of Maryland, Pennsylvania, and Vermont
- Recent studies completed for Office of Superintendent of Insurance

Informed stakeholder interviews to understand New Mexico health care landscape

- 14 experts among hospital representatives, payers, Medicaid, insurance regulation.

Analysis of New Mexico hospitals' cost reports to assess financial health

- Compare rural vs. urban financial performance and performance among rural hospitals

Stakeholders' Responses and Literature Findings

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Stakeholder interviews showed little interest in transitioning to global budgets.

- Hospitals would require major changes in IT infrastructure and operations, even if supported by government subsidy.

Other state experiences.

- According to experience in other states, payers would have to adapt systems as well.
- In PA, system-affiliated hospitals are less likely to participate voluntarily. The AHEAD model, though voluntary, targets percentage coverage of Medicare FFS hospital spending.
  - Low voluntary uptake rate in Pennsylvania.

Findings from stakeholders and literature

- Among other global budget models in the U.S., only Pennsylvania's payment experiment was adopted without a previous hospital payment regulatory structure, and it has had mixed results.
- In conversations with New Mexico stakeholders, it was clear that there is no champion for the idea of enacting global budgets. Global budgets are not seen as a feasible "next step" for New Mexico stakeholders.
- Global budgets will take a great deal of planning, building infrastructure within hospitals, and creating an entity that is dedicated to overseeing the global budget model.

State Infrastructure Would Require Expansion

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Infrastructure issues and considerations

- Pennsylvania, Maryland, and Vermont have dedicated agencies administering their systems.
- New Mexico Health Care Authority is transitioning to subsume current New Mexico government health care purchasing activities.
- Global budgets require high-quality data for setting rates, updating costs, and monitoring quality
- Information architecture still developing
  - SYNCHRONYS helps clinical management in and outside hospitals.
  - MMIS-R creates an interface between Medicaid and Medicaid MCOs.
  - APCD needed to coordinate information from all payers: Medicare, Medicare Advantage, Medicaid FFS, Medicaid MCOs, and commercial insurers.

CMS Participation is Necessary, but Uncertain

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CMS Participation

- Medicaid provides about 43 percent of all NM hospital revenue, Medicare about 37 percent.
- Participation of Medicare and Medicaid subject to waiver approval with CMS and not guaranteed.
- Recently announced Center for Medicare and Medicaid Innovation (CMMI) AHEAD model allows for global budgets as part of total cost of care regulation in eight pilot states.
  - Most likely venue for new states to transition to global budget
- New Mexico and other states are excluded from AHEAD because of transition to another pilot program: Making Care Primary (MCP).
- MCP Model includes payment innovations for primary care clinical groups, who would adopt prospective payments for assigned populations.

Financial Analysis

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Average Total Margin New Mexico Urban vs. Rural Hospitals

Source: NORC tabulations of Medicare cost reports

Average Total Margin New Mexico Rural Hospitals at Lesser and Greater Risk

Some rural hospitals are at greater risk of financial problems.

Policies to help maintain rural access

Hospital Access Program (HAP)

- Directed payments through MCOs to hospitals.

NM Rural Health Care Delivery Fund (RHCDF)

- Grants fill gaps where providers may register negative margins.
  - $18 million allocated initially, some directly to rural hospitals.

Making Care Primary (MCP) Demonstration in eight states

- Federal Medicare subsidies to primary care practices:
  - Physician practices with ≥125 Medicare fee-for-service enrolled patients can receive an up-front infrastructure payment to invest.
  - Support for social determinants of health strategies and HIT infrastructure
  - Risk-adjusted per-member per-month payments would be made for the Medicare members of a practice's enrolled patient cohort.
  - Coordinate payment with Medicaid and commercial payers

Conclusions

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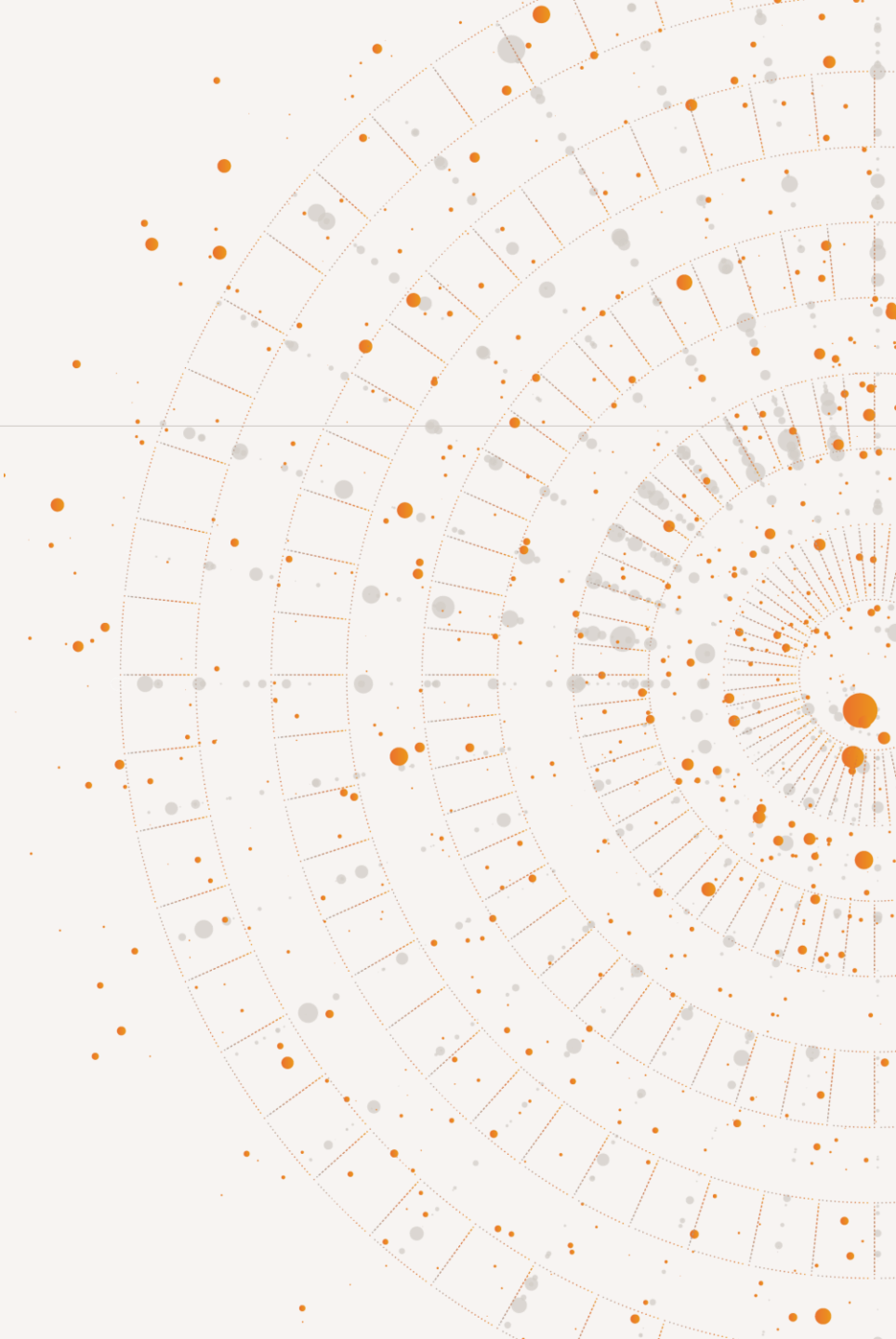
Findings from the study of literature, expert stakeholders, and reported financial performance suggest global budgets probably do not currently suit New Mexico rural hospitals.

- Hospitals would require major changes to their clinical operations, billing systems, and information technology.
  - Although some rural hospitals are at financial risk, many are not.
- State government would require expanded capacity to administer a global budget system, including Medicare and Medicaid
- Most stakeholders offered little enthusiasm or opposition to rural global budgets.
  - No single entity champions this approach.
- Setting up a system in NM would require negotiations to obtain CMS waivers for participation.

Current policies can create a glide path to a global budget, but choices would still be necessary.

- Requires constructing alignment among payers, non-hospital providers, and population health measures.
- Choice of whether those global budgets are limited to rural hospitals or expanded in eligibility to all hospitals
- Could be combined with a total-cost-of-care health care growth limitation like in the CMS AHEAD model or in Maryland.

Questions?



Thank you.

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