Minnesota Hospital Association

HFMA Winter Conference

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MHA Advocacy Update

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About MHA

The Minnesota Hospital Association (MHA) serves Minnesota's hospitals and health systems as they provide quality care throughout the state.

Mission

Advance the health of individuals and communities through leadership, advocacy, and collaboration on behalf of Minnesota hospitals and health systems.

Vision

Minnesotans are healthy and have access to the right care at the right time in the right place.

[About – Minnesota Hospital Association (mnhospitals.org)]

Hospitals in Minnesota

140 hospitals

106 are part of a health system

34 are independent

- 28 CAH
- 6 PPS
- 19 District, county or city owned

109 (78%) hospitals are classified as rural

Clinical Workforce

2024 Hospital Clinical Workforce

Employed
79,769

FTE
57,010

New Hires
12,663

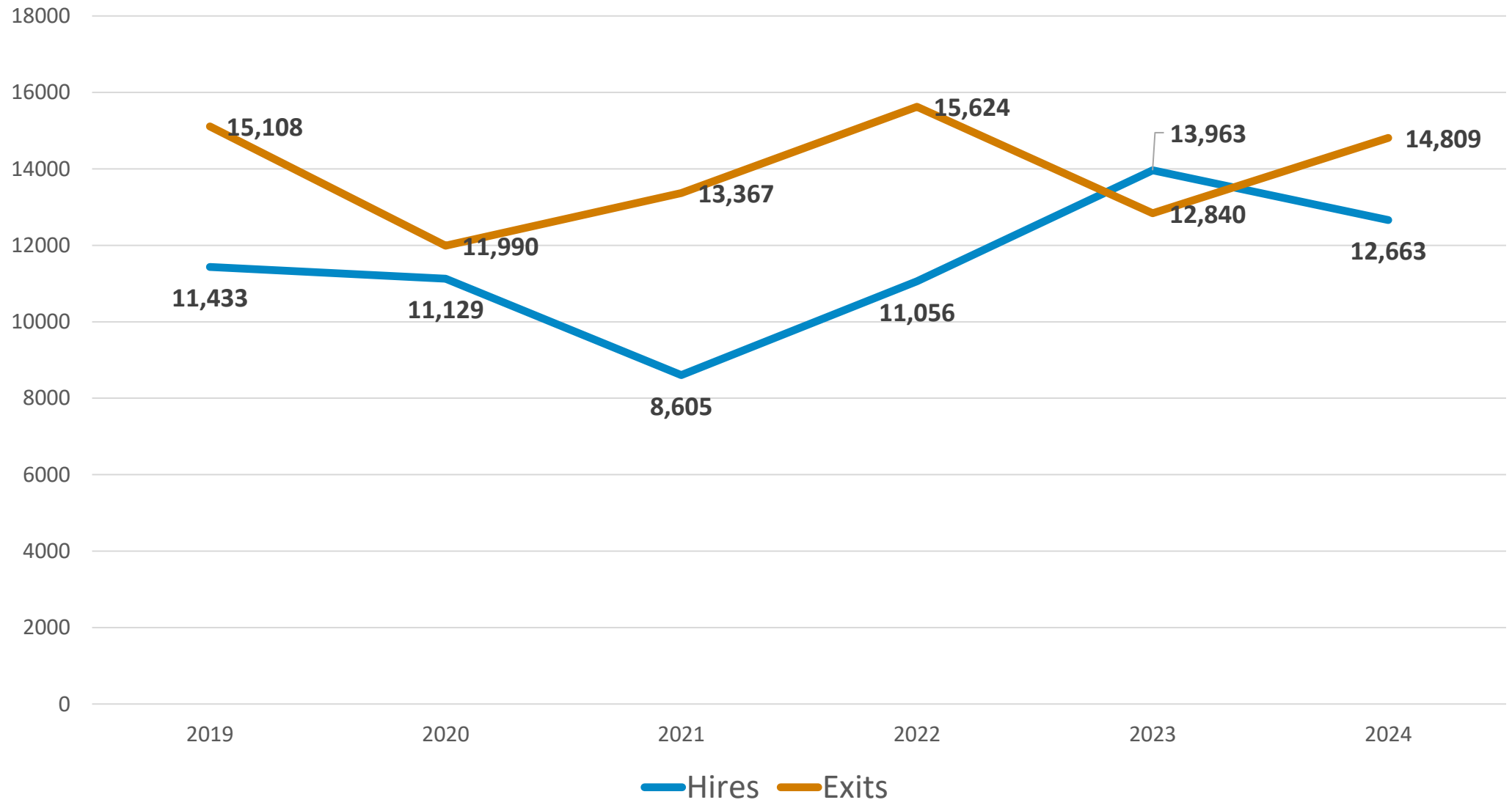
Turnovers
14,809

FTE Vacancies
6,077

Vacancy Rate
12.99%

Based on MHA annual survey of 40 hospital clinical positions

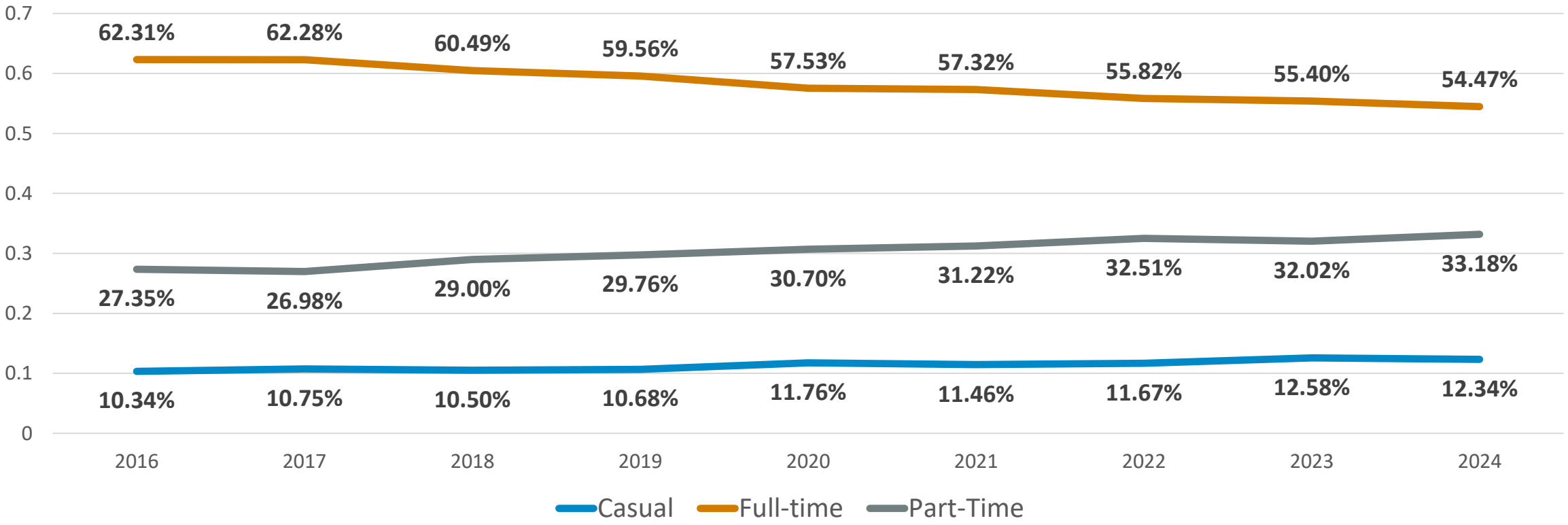
Exits vs. Hires



Hiring & Exit Notes

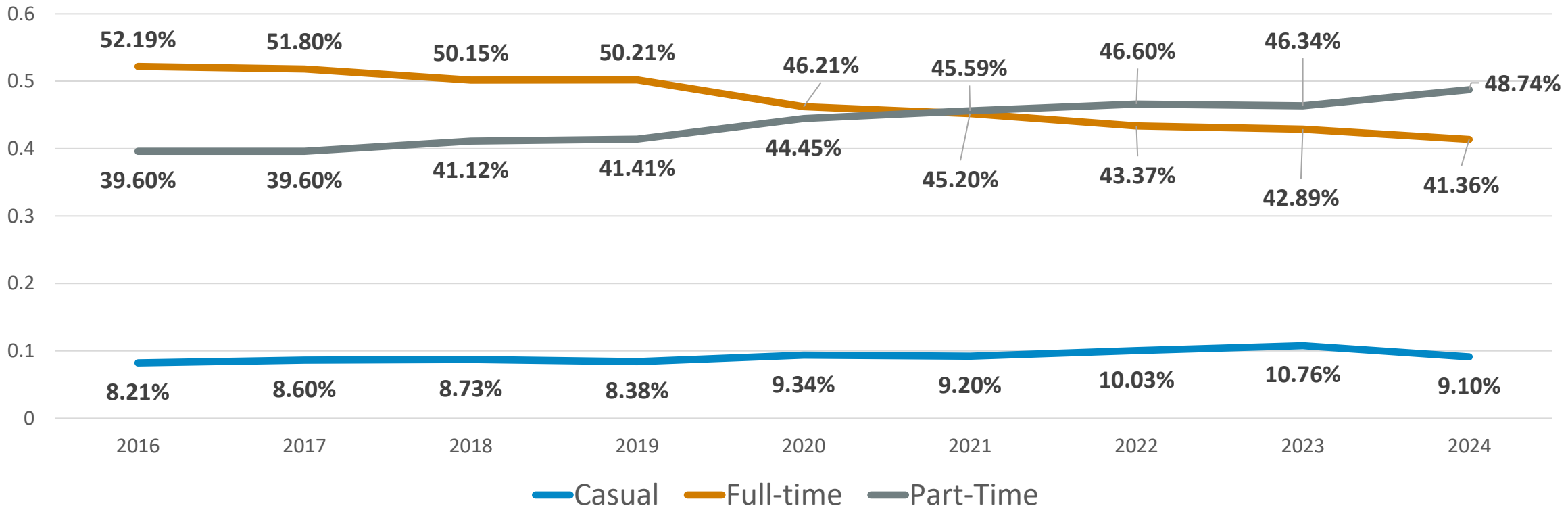
- Physician hiring continues to increase in-metro and decrease out-of-metro while exits continue to decrease in-metro and increase out-of-metro.
- Hiring and exits decreased in-metro for nurses, but there was a spike in exits for out-of-metro nurses (+287, +22%).
- CNAs and NSTs are the top 2 jobs with turnover followed by Other RNs, Imaging Techs, and Med/Surg RNs.
- Physicians continue to be the top job category with a high percentage of folks expected to retire in the next 10 years. The top 3 jobs are Medical Specialty Physicians, Surgical Specialty Physicians and LPNs with 29%, 27%, and 26.9% of their workforce expected to retire in 10 years.
- Behavioral Health RN is the top nursing occupation expected to retire in the next 10 years with 25% of their workforce.

Full-Time vs. Part-Time



- One-third of the hospital workforce now works part-time.
- Full-time share of workforce has fallen to lowest levels and is on track to fall more than 10% in under ten years.

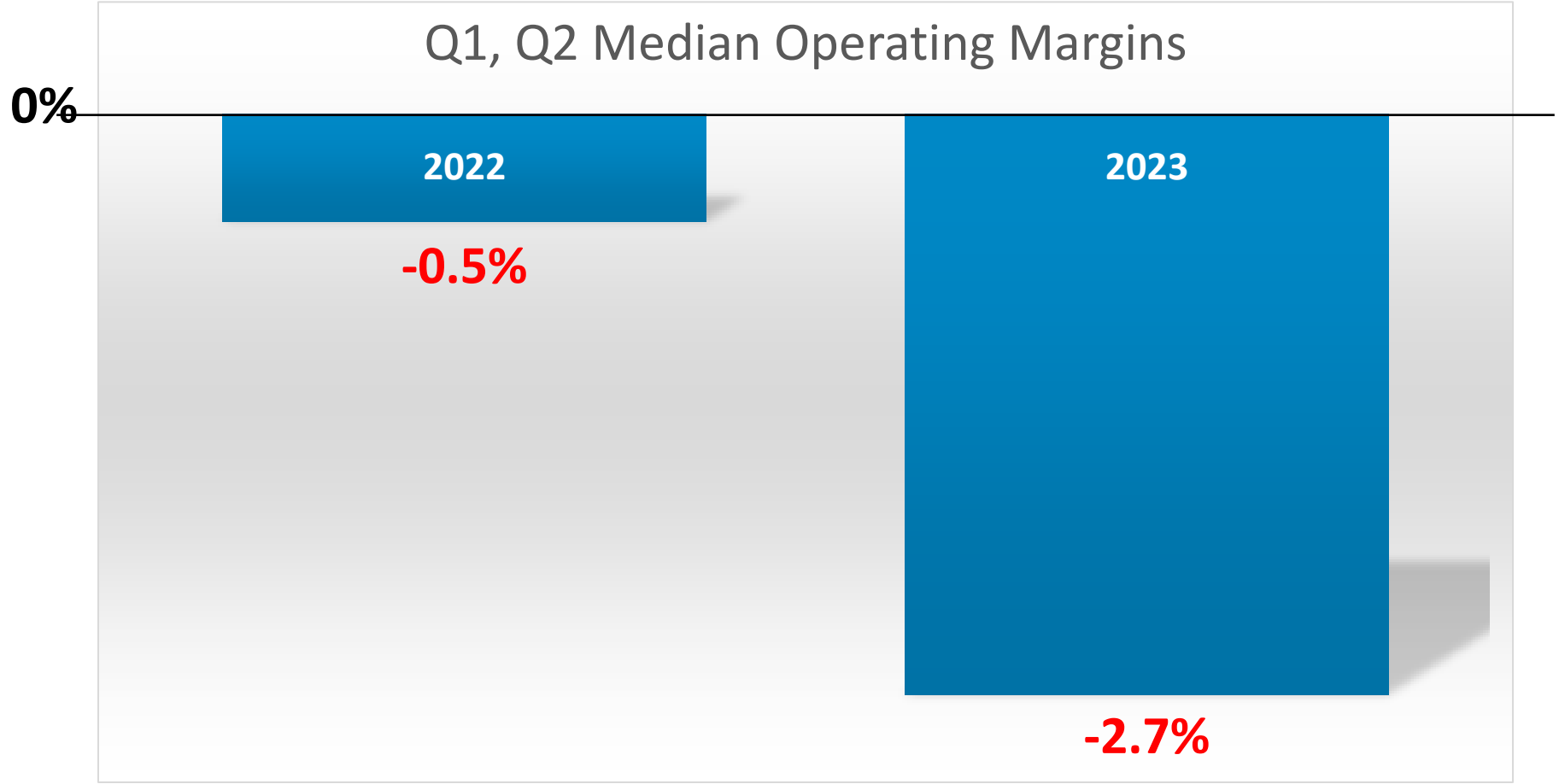
FT/PT Distribution of Registered Nurses



- Almost 60% of RNs are working less than full time, which is UP a percentage point from last year.

Hospital Financials

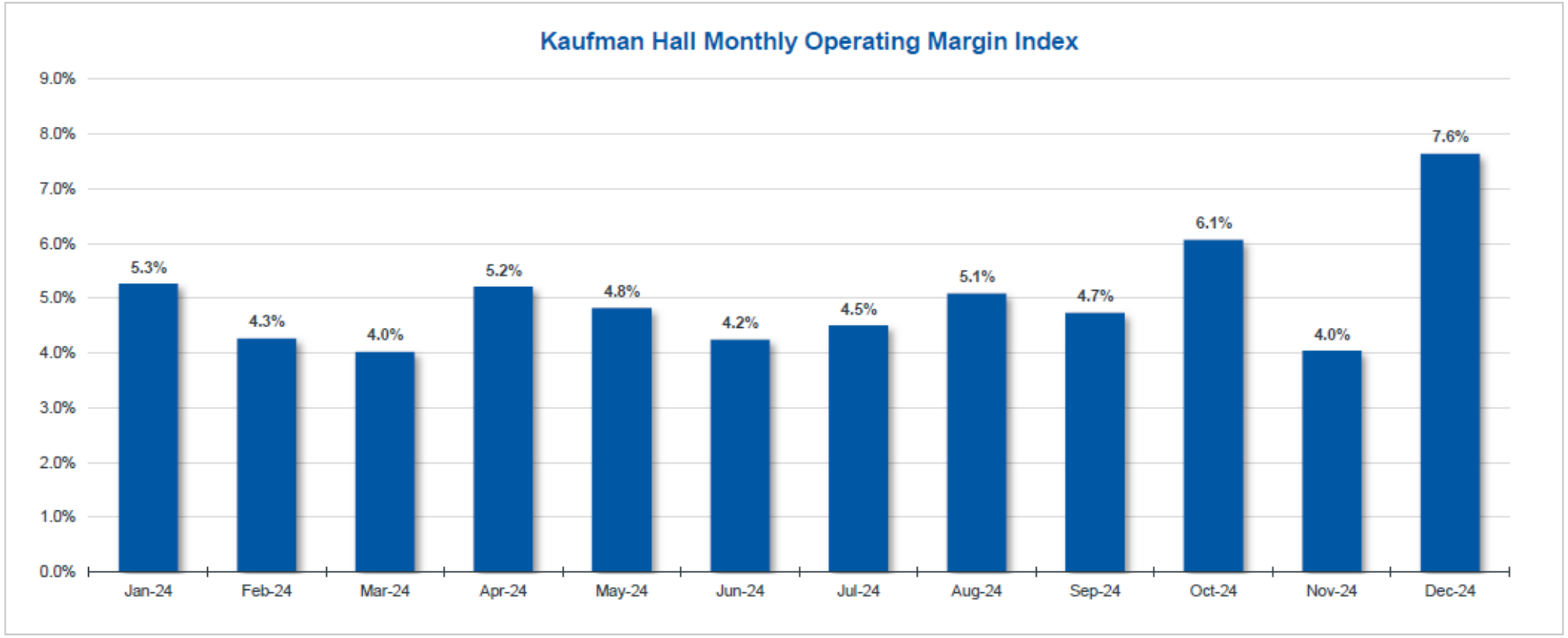
2023 vs 2022 margins (MHA 6-mos survey)



MN Hospital financials

Statewide MN hospitals	2022	2023
Median Operating Margin	**1.6%**	**1.7%**
# hospitals negative	46	52
% hospitals negative	37%	42%
Median Total Margin	**0.3%**	**3.5%**
# hospitals negative	60	36
% hospitals negative	48.0%	28.8%

National trend



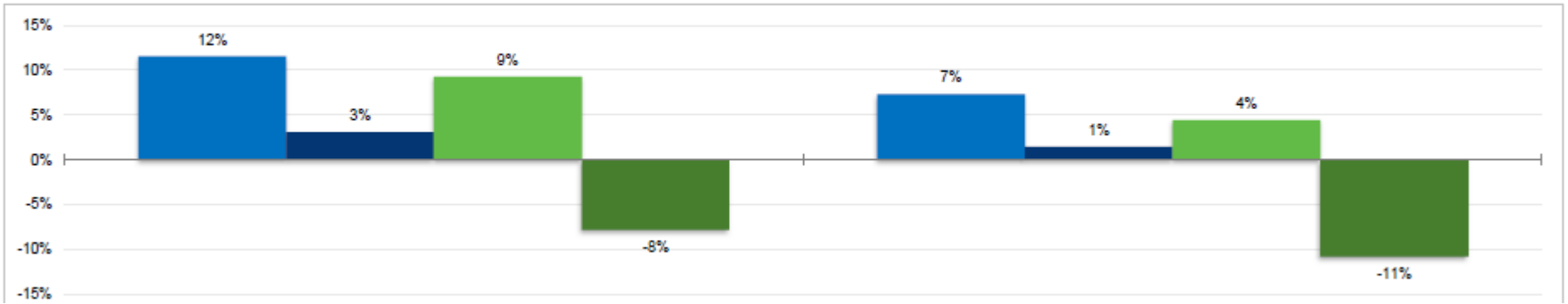
Kaufman Hall, *National Hospital Flash Report* (December 2024 Metrics)

** Note: Hospitals only. The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.*

Great Plains region has not fully recovered from 2021

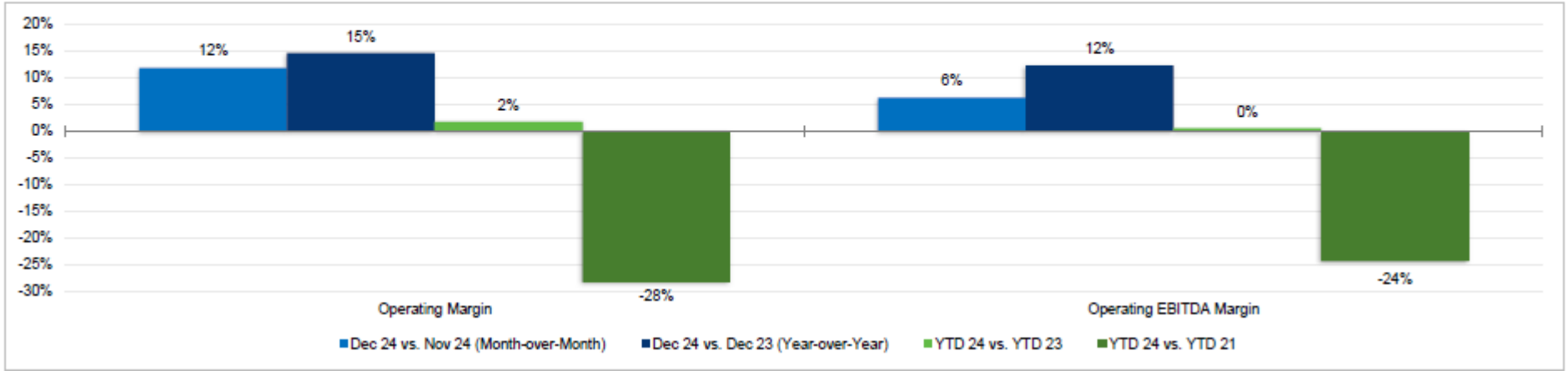
National Data

Profitability



Regional Data: Great Plains

Profitability



Revenue Cycle improvement trends

- Current hospital and health system revenue cycle FTEs have grown substantially in recent years due to, in part, to more aggressive health insurance behaviors to control costs:
  - Prior authorizations
  - Denials
- Automated processes and Artificial Intelligence (AI) is beginning to provide some level of support for health systems to automate some of these functions.
- Presumptive eligibility tools pushed closer to the front end to help sort out charity care/financial assistance, coverage options in service to better serving patients.

Private Equity is eying revenue cycle management/tech enabled companies

Top 10 private equity deals in revenue cycle management
By deal size, 2024

Company	Deal size ($ in millions)	Type
R1 RCM	$6,283.4	Buyout/leveraged buyout
RevSpring	$1,270	Buyout/leveraged buyout
AdvancedMD	$1,125	Buyout/leveraged buyout
Gebbs Healthcare Solutions	$840	Buyout/leveraged buyout
Xtend Healthcare	$365	Buyout/leveraged buyout
Health Prime	$190	Buyout/leveraged buyout
Infinx	$150	Stake
StrataPT	$25	Stake
OnPoint Healthcare Partners	$18.5	Stake

Source: Pitchbook

Modern Healthcare

State Policy Issues

The depth & breadth of pending reports 2025

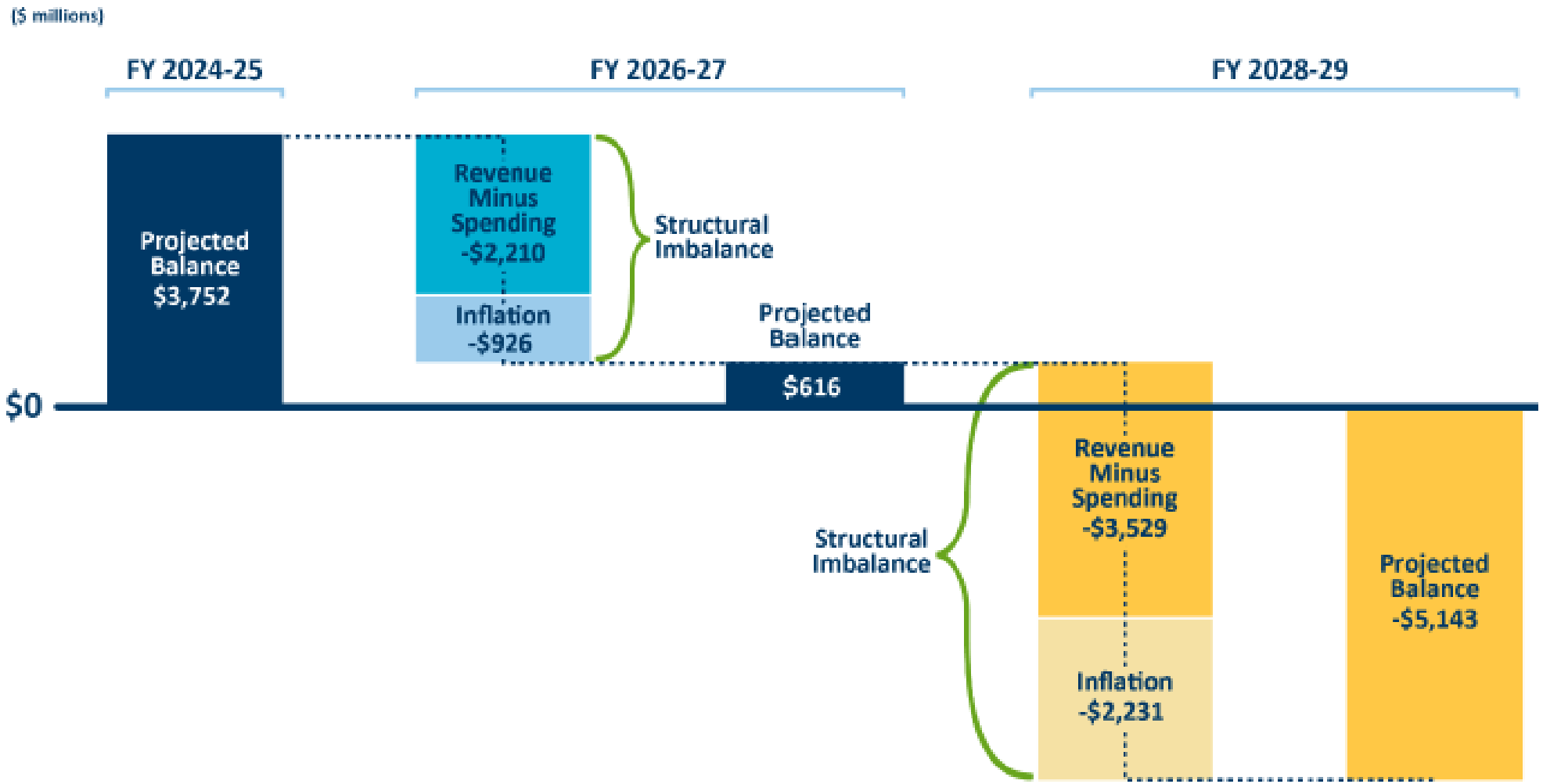
DONE: Jan. 1, 2025 -- First filing of hospital **Violence Prevention Incidence Response Plans** to MDH.

- **Early 2025 – The Office of Legislative Auditor (OLA) will submit to the legislature a report on hospital <u>Community Benefit</u>.**
  - *Report will likely contain recommendations for an increased role for MDH in the oversight of hospital community benefit; potentially with a standardized state reporting format and thresholds around charity care. Value comparison of tax-exempt status to amount of community benefit.*
- March 31, 2025 -- MDH report to the legislature on Low Value Care.
- April 1, 2025 – Second 340B entity information submissions with value of savings from both dispensed and administered drugs.
- DLI: Post-traumatic stress disorder study, due August 1, 2025.

The depth & breadth of pending reports 2026

- Jan. 1, 2026 -- Filing of hospital Community Benefit with new granularity criteria to MDH. (New 2024 law.)
- Jan. 1, 2026 -- MDH's Nursing Workforce Report. (The statute states that hospitals must provide workforce information requested by MDH in preparation of its report.)
- Jan. 15, 2026 -- Filing of hospital CHNAs due to MDH. (New 2024 law.)
- Jan. 15, 2026 -- MDH reports to the Legislature on the benefits and costs of a universal health care financing system.
- Jan. 15, 2026 – MDH submits to the Legislature a single report compiling the hospital Violence Prevention Response Plans.

MN State budget forecast - good to bad



Governor's budget proposal

- Proposes spending $65.9 billion for 2026-27. Slimmed down from $70.7 billion in the current budget.
  - $23.5 billion on Health & Human Services
  - $1.3 billion cut/curbing growth in disability waivers
  - $220 million in cuts to nursing home payments (over 4 years)
- Proposes the 340B outpatient drug carveout from managed care, moving it to FFS.
  - Triggers loss of funding for 340B entities.
  - New MDH report, estimates MA portion is $86 million annually.
- Proposes $19.3 million for audio-only telehealth (MA & MnCare) for 2026 & 27. Not funded in the tails.

Reinsurance

- Funding is needed for the Premium Security Account for 2026 & 27.
- Helps 160,000+ Minnesotans better afford health care coverage.
- Federal advanced premium tax credits ending at the same time. Estimated 93,000 Minnesotans could lose coverage.
- Governor has proposed a 2% assessment on all MCHA members to fund state portion of reinsurance. (Approx. $235 million 2026-27.)
- In addition, the Governor has proposed an increase in the HMO surcharge from the current .6% rate to 1.25%. (Raises $173 million 2026-27.)
- Senate bill, SF 333, using GF monies. Senate hearing was 1/30.

MHA's Five Advocacy Focus Area

1. Finance and Reimbursement
2. Workforce
3. Mental Health
4. Protecting 340B outpatient drug program
5. Stopping bad mandates

Finance & Reimbursement

- Leverage more federal dollars into hospital Medicaid rates by pursuing a Directed Payment Program.
- Increase Medicaid reimbursement rates to be closer to the actual cost of care. The current payment rate of 68.5% is based on 2019 costs.
- Support changes to improve discharge and care coordination challenges.
- Continued Opposition to Public Option implementation.
  (No MHA bill needed)
- Support for EMS in getting permanent reimbursement rate increases.
  (No MHA bill needed)

What is a Directed Payment Program (DPP)

- **States are utilizing Directed Payment Programs as a method to increase payments to hospitals.**

- A **Directed Payment Program** is a federally approved mechanism for states to enhance provider payments, improving access to care and quality, through leveraging additional federal monies into a state's Medicaid program.

- Medicaid financing is shared by states and the federal government, with varying percentages of federal funding across the states based in part on the wealth of a state's population. The federal government provides matching payments based on funding coming from the individual state. States have the flexibility to determine what funds will finance the non-federal share of Medicaid payments, including for a DPP.

What is a Directed Payment Program

- Given state budget constraints across the country, most of the 40 states that have a Directed Payment Program, either rely on some type of provider assessment or obtain additional funds through an intergovernmental transfer to finance their DPPs. **A DPP can be established without new costs to a state budget.**
- More than 40 states currently have some type of Directed Payment Program. Several states have multiple different types of DPPs and for various provider types.
- Minnesota currently has two DPPs; one that has benefited Hennepin HealthCare and one that was established in the 2024 Legislative Session for increasing funding for Graduate Medical Education. The state share for the Hennepin Healthcare DPP is being paid by an intergovernmental transfer with Hennepin County and the GME/DPP state share is being paid with a limited assessment on teaching hospitals.
- To implement a DPP, states must receive authorization from their state legislature and submit the DPP pre-print model to CMS for approval on an annual basis.

Medicaid Directed Payment activity around the country

Between July 1, 2021 and February 1, 2023, CMS has approved 249 distinct directed payment arrangements in 40 states, the District of Columbia, and Puerto Rico[1]

- Estimated 2023 directed payment spending was approximately $70 billion.
- Provider assessments are a primary funding mechanism utilized to finance directed payments.
- Size of program impacted by:
  - Adequacy of current rates
  - Federal match rate (FMAP)
  - Average commercial rate
  - Assessment capacity
- Recent DPPs in other states: Iowa, Nebraska, New Mexico and North Carolina.

1 *- MACPAC June 2023*

Realities impacting a MN -- DPP

- Total Net Patient Revenue: $21.588 Billion
- Federal Rules: Applying a 6% Assessment Test: $1.295 Billion
  - Less Medical Care Surcharge: -$185 Million
  - Less MinnesotaCare Tax: -$255 Million
  - Less GME Assessment: -$100 Million
- **Assessment Capacity: $755 Million**
- Blended FMAP: 60.00%
- Potential Spending Capacity: $1.8 Billion

Model Overview

	Estimated Net Impact
Total New Payments	$1.8 billion
Offsets: (Assessment dollars in, Admin Fee, Loss of DSH)	$0.8 billion
Estimated Net Benefit	$1.0 billion

Health Care Workforce

- Expand funding for health care career initiatives.
  - Summer Health Care Internship Program
  - Scholarships for Allied Health professional education
  - Dual training pipeline program: increase funding, remove/increase caps for employers & students
  - Increase funding for health care professional loan forgiveness.

- Continued opposition to health care workforce mandates that add burdens, increase costs, and reduce access to available care.

Mental Health

- Increase mental health provider Medicaid reimbursement rates.
- Eliminate the sunset on Medicaid coverage for audio-only telehealth services, which is set to expire July 1, 2025.
- Implement policies recommended by the Task Force on Priority Admissions to improve patient flow and movement between services and provider types.

Protecting 340B Drug Pricing Program

- Continued opposition to “carving out” the Medicaid outpatient drug benefit from managed care and moving the program to fee-for-service. This would eliminate 340B program benefits for covered entities.
  - Governor’s budget recommendation
- Eliminate sunset on new contract pharmacy law before July 1, 2027.
- Highlight community activities and patient services supported by 340B.

Stopping Bad Mandates

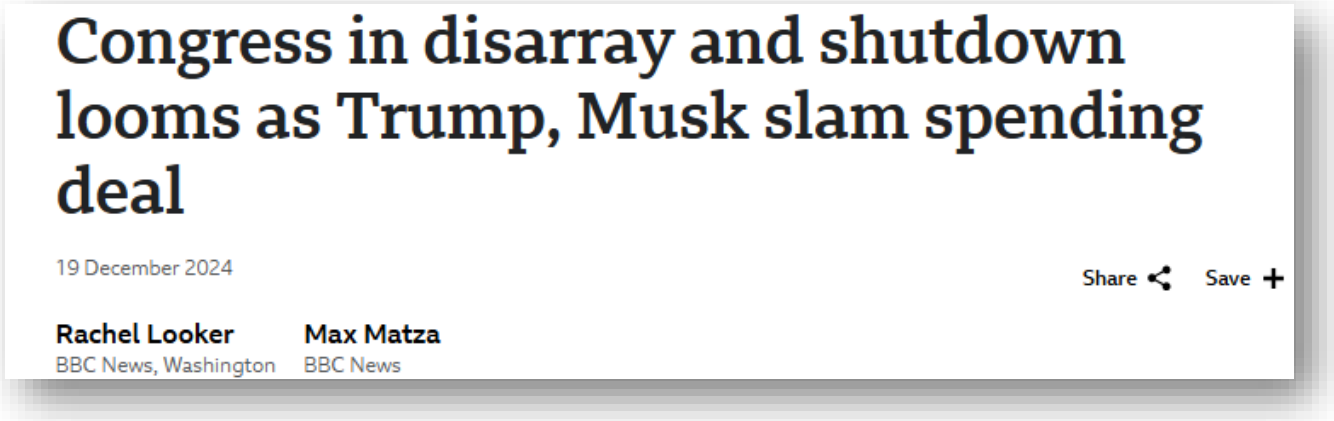
- Forthcoming report from the Office of the Legislative Auditor on community benefit expenditures at non-profit hospitals.
- Possibly more rules and enforcement on service line closures.
- Previous nurse union bills likely to be re-introduced:
  - No retaliation for refusal of a patient assignment
  - Mandating violence interruption teams – with no patient assignments
  - Mandating a RN to patient staffing ratio
- Possibly more regulations around the use of private equity funding and ability to partner with for profit entities.

Federal Policy Issues

Trump Inauguration on Jan. 20

Welcome to the 119th Congress!

- Minnesota has a powerful congressional delegation
- Political gridlock will remain
- Trump and others (e.g. Elon Musk) influence on legislative business


Congress in disarray and shutdown looms as Trump, Musk slam spending deal

19 December 2024

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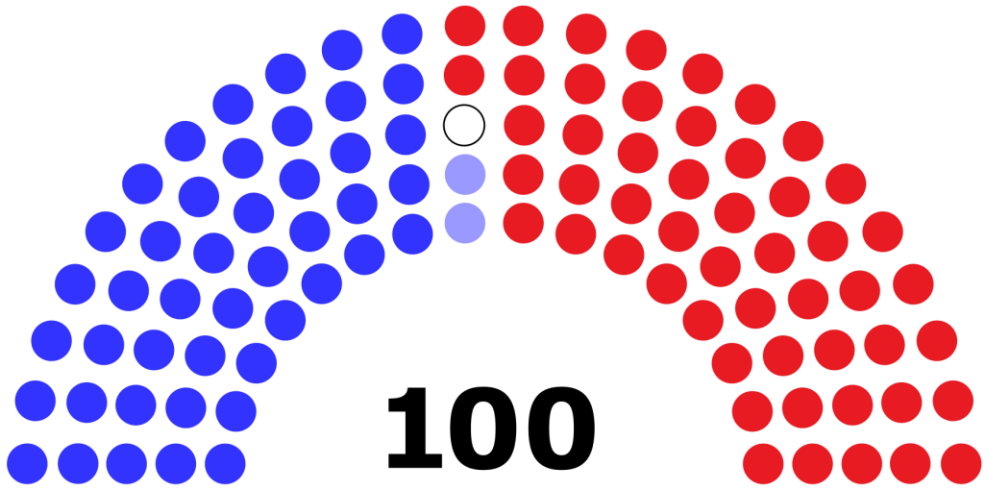
Rachel Looker
BBC News, Washington

Max Matza
BBC News

Slim Margins Mark the 119th Congress

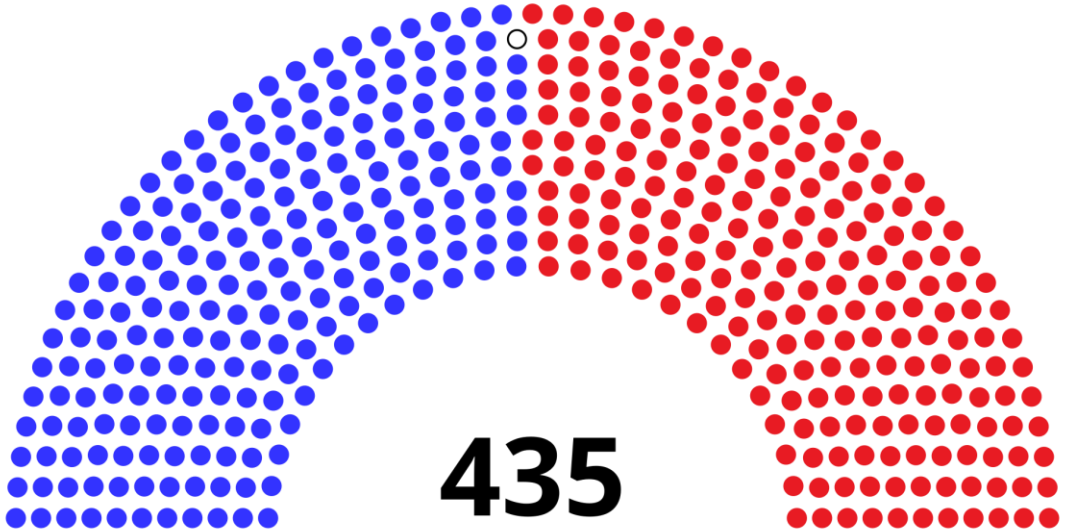
U.S. Senate

Republicans Maintain a 6-Seat Lead



House of Representatives

5 Seat Republican Advantage

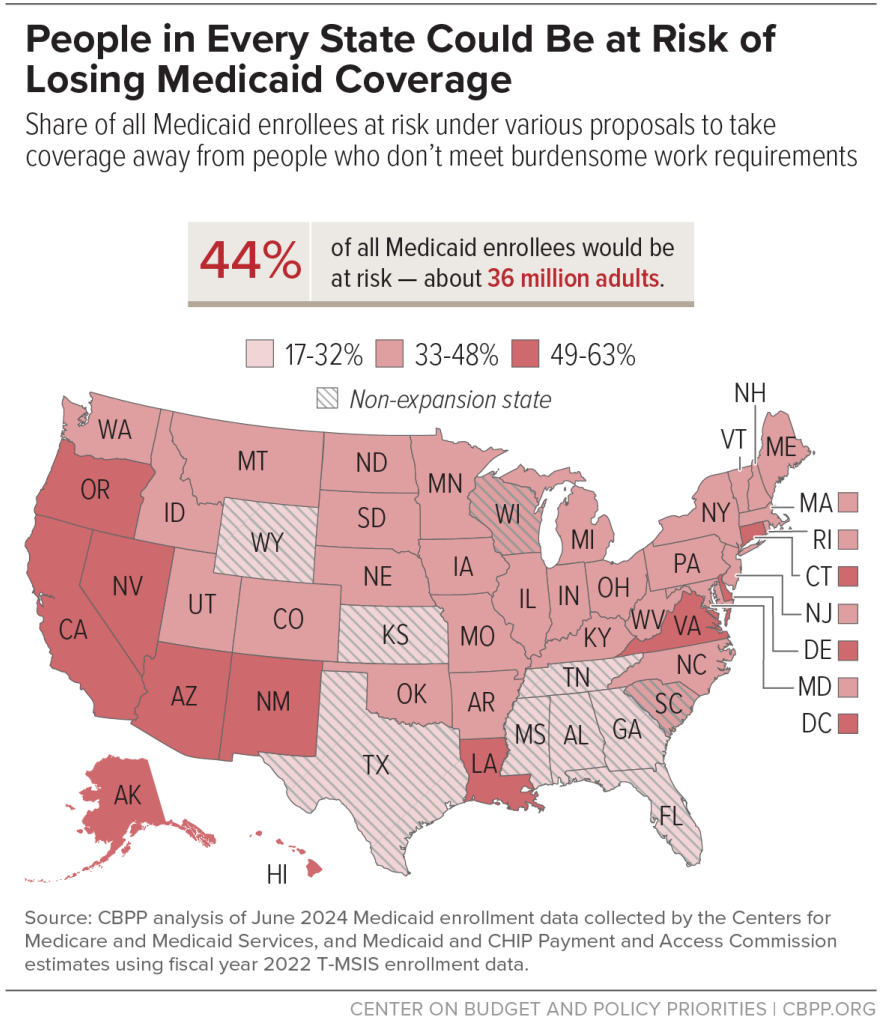


2025 Legislative Outlook

- **Jan. 14-23:** Treasury will need to begin using “extraordinary measures” to avert defaulting on the federal debt. Congress must address the debt limit this year.
- **Feb. 3:** President’s FY26 budget request (*will likely be delayed)*
- **March 14:** Deadline to pass a FY25 federal budget
- **April 11:** Speaker Johnson’s ambitious goal for passing a budget reconciliation bill
  - “One Big Beautiful Bill” may include Medicaid reform and/or site neutral payment cuts affecting hospitals and health systems to save $$

“One Big Beautiful Bill”

- House Freedom Caucus proposal includes Medicaid & SNAP work requirements to save $120 billion
- House Energy & Commerce Republicans discussing Medicaid per-capita caps and site neutral payment policies
- Other potential spending offsets:
  - Let ACA premium tax credit expire
  - Lower federal Medicaid match
  - Limit Medicaid provider taxes
  - Limit health program eligibility based on citizenship status



The Changing Landscape of Healthcare

Finance and Reimbursement	Workforce
• Decreases in Medicare and Medicaid reimbursement rates. • Potential shift to block grants or per-capita funding for Medicaid. • Increased reliance on Medicare Advantage and privatized care options. • Encouraging private sector investment in healthcare infrastructure.	• Anticipated cuts to Graduate Medical Education (GME) funding. • Immigration policy changes impacting international healthcare professionals. • Legislative challenges to unionized hospital staff.
Mental Health	**340B Drug Pricing Program**
• Federal funding reductions, including for SAMHSA programs. • Greater reliance on state-level funding for mental health initiatives. • Expanding private sector solutions for mental health service delivery.	• Potential changes to eligibility criteria and program scope. • Ongoing debates on Medicare drug price negotiation policies. • Exploring prescription drug importation to lower costs.

Impact: A Blend of Opportunities and Challenges

Regulatory Relief:

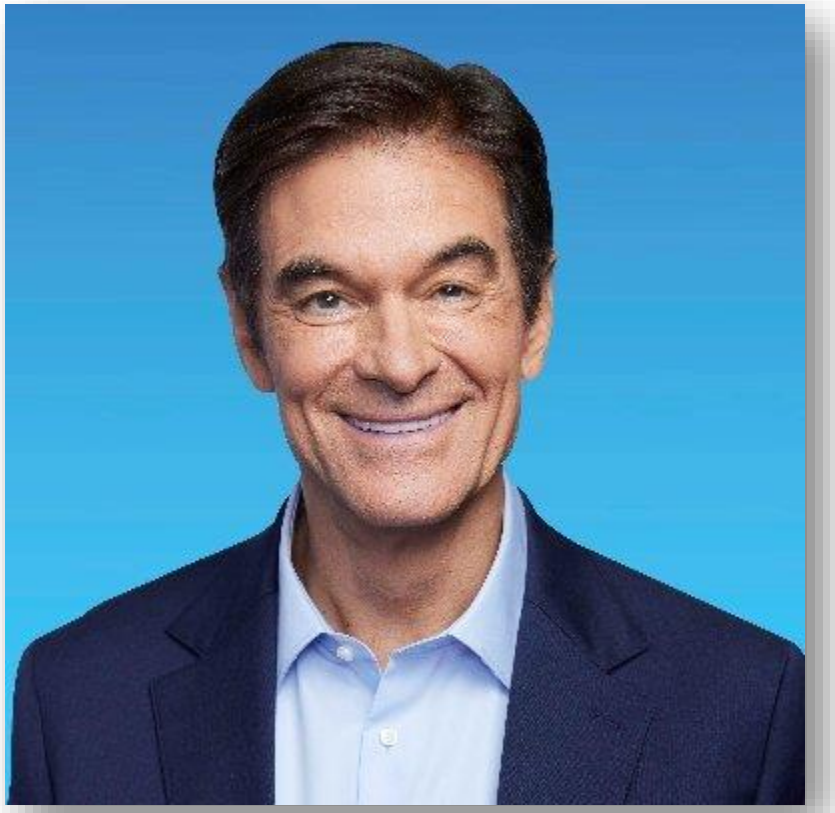
- Decreased federal requirements for quality reporting
- Diverse compliance standards across states
- Encouragement of innovative care delivery via deregulation

Rural Health:

- Modernizing rural add-on payments and programs like the Low-Volume payment adjustment and Sole Community Hospital designation
- CAH necessary provider designation
- Medicare Advantage payment parity for CAHs
- Improving prior authorization requirements

Trump Health Administration Nominees

Robert F. Kennedy, Jr – HHS Secretary



Dr. Mehmet Oz – CMS Administrator

2025 Regulatory Outlook

- Rollback/delayed implementation of Biden regulations
  - Nursing home minimum staffing rule
- Less regulatory focus on Medicare Advantage
  - Project 2025 plan includes details on making MA the default enrollment option
- ACA reform – likely not repeal
  - Less funding for navigators, outreach efforts
  - More short-term “skinny” insurance plans
  - Enhanced premium subsides set to expire in 2025 – over 80,000 Minnesotans will see their insurance costs go up

2025 Regulatory Outlook

- More friendly environment for mergers and acquisitions
- Potential Medicaid cuts
  - Per person spending limits
  - Block grants
  - Limit federal funding to state Medicaid programs
  - State waivers for work requirements
- Increased transparency efforts
- Potential focus on drug pricing – unsure of how implementation of Medicare negotiation of drug prices will continue

Contact

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