



State of Louisiana
Louisiana Department of Health
Office of Management and Finance

December 14, 2021

The Honorable Mack "Bodi" White, Chairman
Joint Legislative Committee on the Budget
P.O. Box 44294
Baton Rouge, LA 70804

The Honorable Jerome Zeringue, Vice Chairman
Joint Legislative Committee on the Budget
423 Goode Street
Houma, LA 70360

Re: HCR 2 Requirement – December 2021 Report on Hospital Directed Payment Options

In response to House Continuing Resolution (HCR) 2 of the 2021 Legislative Session, the Louisiana Department of Health (LDH) submits this letter as the required December Report detailing our continued work in developing a hospital directed payment program.

LDH has continued its extensive stakeholder engagement processes, presenting the Hospital Models and Hospital Assessment Models at regular intervals to pivotal stakeholder groups, including legislative committees/workgroups, industry associations and CMS representatives.

As it relates to legislative stakeholders, the Department continues hosting bi-weekly legislative update calls to keep representative legislators apprised of any material changes to the model, provide opportunity for feedback and present any concerns/challenges. For industry engagement, LDH worked with the Louisiana Hospital Association (LHA) to establish a subcommittee workgroup comprised of LHA leadership and representatives of member hospitals. We also have regular meetings with LHA leadership and leadership of the Rural Hospital Coalition to discuss progress of both the assessment model and directed payment program. Since our previous update and as of November 30, 2021, LDH has held the following meetings with the LHA subcommittee:

Date	Primary Topic
November 1, 2021	Discussion with Hospital Service Districts on their unique questions
November 9, 2021	LHA sub-committee meeting to discuss timeline, alternative assessment options and next steps
November 23, 2021	LHA Executive Team meeting to discuss updated Assessment model
November 29, 2021	LHA Sub-committee meeting to discuss assessment and hospital model

In addition to the meetings relative to the acute hospital program, LDH had meetings with the LHA Sub-Committee to discuss the Physician Services Directed Payment Program as well as a Directed Payment Program for non-acute care hospitals on December 9, 2021. The department will continue to be transparent with these stakeholders and work collaboratively for a successful transition of all of the current Full Medicaid Pricing (FMP) programs.

LDH is proposing a new hospital assessment effective July 1, 2022 based on hospital net patient revenues from cost reports submitted during SFY 2019. This will be an update of the current hospital assessment, which is based on net patient revenues from cost reports submitted during SFY 2015. LDH worked collaboratively with the LHA sub-committee to discuss multiple cost report data as the basis of the assessment including, hospital discharges, inpatient days, gross revenue and net patient revenue. Stakeholder feedback supported net patient revenue as it is the basis of the current model and used in many other states as a basis for an assessment. Therefore, LDH is proposing to increase the hospital assessment to fund the new hospital supplemental payments on the basis of net patient revenue.

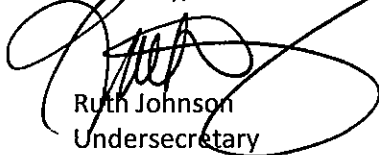
The proposed assessment model has tiered assessment rates based on a hospital's net patient revenue (NPR). Hospitals with NPR below an established threshold will be assessed the full rate while those with revenue above the threshold will be assessed at a reduced rate. Non-acute care hospitals, which include, Long Term Acute Care (LTAC) hospitals, Psychiatric and Rehab hospitals will be assessed at a reduced amount. Our preliminary discussions with CMS indicate a strong desire to combine the existing and new assessment for demonstration purposes. The department is developing models to combine the existing and the new assessments to comply with CMS requirements.

In our monthly calls with CMS, they have focused the majority of the discussion on the means of financing for the program. We have communicated to CMS that we will be using a combination of IGTs, assessments and State General Fund to finance the program. While the proposed levels of State General Fund and IGTs will not exceed what is currently in the department's budget, the increased hospital assessment will be an increase in overall budget authority. We will continue to work collaboratively with CMS to ensure a successful implementation of the final approved model.

Over the coming weeks, the Department will focus its efforts on finalizing the additional hospital assessment that will be required in order to finance the non-federal share of the payment and complete a draft version of the pre-print document for leadership review prior to submission to CMS.

The Department is committed to implementing a financially sustainable hospital supplemental payment option for the state of Louisiana to ensure continued funding to our healthcare providers and to maintain healthcare access for all Louisiana Medicaid recipients. We are committed to a transparent process in the payment methodology development with all providers, the administration and the legislature.

Sincerely,



Ruth Johnson
Undersecretary

RJ:ap:td