

La Rabida Children's Hospital and Medicaid

A Request for Consideration by the Hospital Transformation Review Committee

October 2018

Summary

La Rabida Children's Hospital for more than 120 years has been delivering specialized services aimed to improve the health and lives of children with complex and special health care needs. Our unique array of services and the specific population we serve, coupled with the high percent of those individuals covered by Medicaid, has made it difficult for traditional reimbursement models to work for us. This has been recognized by the Joint Committee on Administrative Rules (JCAR) and the Illinois Department of Healthcare and Family Services over the years, most recently in 2014 (*Section 148.116 Reimbursement Methodologies for Specialty Hospitals 89 Ill.Adm.Code 148.116 (e) (Emergency)*). The \$14.2 million directed to La Rabida at that time is now considered to be part of the Transformation Pool that the Committee is reviewing. The reasons for the 2014 Rule stemmed from our delivering of non-institutional services (care coordination, patient centered medical home, behavioral health and more), which have not changed, but in fact have grown, yet the reimbursement system has not been modified in any way to support these services. In addition, unlike many other safety net hospitals, our inpatient volumes and the acuity of the patients we serve have grown since 2015.

This document describes this in detail, and as a result, we are urging the Committee to continue to allow the \$14.2 million to be directed to La Rabida as the original rule prescribed.

Introduction

For more than 120 years, La Rabida Children's Hospital has been providing care for some of Chicago's most vulnerable children. From a sanitarium dealing with the ills of poverty at the turn of the 19th century, to a leader in the care of rheumatic heart disease, to an organization that is focused on delivering quality care for children with lifelong, complex medical conditions, chronic illnesses and disabilities, La Rabida has always been committed to not only ensuring that children receive high quality medical care, but meeting all their basic needs – medical, emotional, psychosocial and/or educational.

La Rabida's mission focuses not only on the child, but the entire family. It is proud to stand out among all other safety net hospitals as the most Medicaid-reliant hospital in Illinois, with nearly 90% of net patient service revenue derived from Medicaid. Families of low income who have a child with a complicated health condition face many challenges, and are in need of support to navigate our healthcare system. That is the core of what we do at La Rabida.

We are a unique hospital in many ways – the population we serve, the comprehensive services we offer, the various sources of revenue we rely on to continue to operate. We are recognized as the only independent Specialty Children's Hospital in Illinois. Unlike traditional hospitals that focus on services like inpatient care, surgeries or advanced diagnostics – all of the areas where reimbursement remains strongest – we focus on services that drive patient outcomes, improve the quality of life for the child and family, and provide significant cost savings to the State. La Rabida does not perform surgeries, nor do we perform major diagnostic procedures. Instead we provide a broad array of outpatient services including primary and specialty care

clinics; physical, speech, occupational and developmental therapies; behavioral health services; and nutrition counseling. We also provide full care coordination services for our families to insure that they have access to an array of services and support not only when visiting La Rabida, but in between these encounters.

Employing supplemental payment to drive and maintain innovation

We have utilized the Medicaid supplemental payments to transform from a traditional provider to the innovative model we operate today. Recent examples of our innovation and transformation include: in 2011 we became the first hospital in Illinois to be awarded NCQA recognition for our patient-centered medical home, which we have subsequently grown to Level 3 status, and which is now widely recognized as healthcare industry best practice; and in 2013 we were one of only three Illinois hospitals to be awarded a State contract as a Care Coordination Entity for Children with Complex Medical Conditions, a program we continue to operate today without any direct State funding.

These innovations highlight La Rabida's ongoing commitment to provide the best array of services for the children we serve. However, being an innovator and transforming care have a financial downside, as the Medicaid program has been slow to shift funds from inpatient to non-institutional outpatient services. As a result, Medicaid reimburses very poorly and in many cases not at all for the services we provide. It becomes increasingly difficult to grow these services and continue to innovate when funding does not follow. In 2014, the Joint Committee on Administrative Rules (JCAR) and the Department of Healthcare and Family Services recognized the necessity and value of our innovative and transformative work by creating special

reimbursement language that applied only to La Rabida to preserve our add on payments until a complete reform of non-institutional service reimbursement was completed.*

**Section 148.116 Reimbursement Methodologies for Specialty Hospitals*

89 Ill.Adm.Code 148.116 (e) (Emergency)

e) The reimbursement methodologies in this Section shall be re-determined prior to July 1, 2018 if implementation of reform to hospital non-institutional service reimbursement occurs. In the absence of reform to hospital non-institutional service reimbursement, the reimbursement methodologies in this Section shall be re-determined to be effective on or after July 1, 2018. This provision is in recognition of the comprehensive “non-institutional” services that La Rabida was and is continuing to provide to a medically complex group of children, and the high costs associated with the services.

To date, no such reform has been undertaken and the Medicaid reimbursement model continues to heavily favor inpatient care, despite the best intentions to reward providers for keeping patients out of the hospital. La Rabida derives over 80% of annual revenue from serving 26 children in our inpatient unit and only 20% from the 25,000 plus outpatient encounters, which is significantly disproportionate to the cost of those services. The fee for service reimbursement from both HFS and the MCOs that we receive, together with all forms of supplemental payments, plus the various city, state, and federal grant funding, and donor contributions still fall short of meeting our operating costs.

La Rabida’s Model of care and today’s reimbursement model

Unlike many other safety net hospitals, we have also experienced significant growth in our patient volumes during the past few years, which also has financial consequences. Our payer mix is nearly 90% Medicaid, and because Medicaid fee-for-service reimbursement covers only a fraction of the cost of the services we provide, the more we do, the more we lose. Our inpatient

services, which represent approximately 80% of our Medicaid revenue, have increased 46% since the 2014 reimbursement rates were set. In addition, the acuity of the children we care for has increased significantly during the same time period, as reflected by our average length of stay which has increased 82% during the same time frame. We have also experienced increased patient volumes in every other service line as well, including primary and specialty care clinics, outpatient rehab, behavioral health, and acute care clinic visits.

We believe the outpatient services that are offered through La Rabida need to be appropriately reimbursed – as they provide a great return on the state’s investment in terms of avoiding the high cost of inpatient admissions, and are consistent with the future direction of healthcare. Unfortunately, the Medicaid Assessment Redesign of 2018, focused primarily on traditional hospital services and despite an overall increase of funding allocated to safety net hospitals and La Rabida being the most Medicaid-dependent hospital in Illinois, did not reward La Rabida for the innovative and transformative changes we have implemented. That is why the \$14.2 million transformation payment is so critical.

As the Hospital Transformation Review Committee contemplates the Hospital Transformation Program, La Rabida requests special consideration. As you are keenly aware, the genesis of the Program’s transformation payments is to assist safety-net providers transform their current model of care. Given this backdrop, La Rabida contends that it has already done and is continuing to transform its delivery of care as described in this document, and this positive course taken by La Rabida was measured and affirmed by the General Assembly and HFS in 2014, resulting in the add-on payments to La Rabida. Unfortunately, however, the Medicaid payment methodology has not been revised to adequately reimburse La Rabida for the non-institutional/outpatient services it provides. That said, it is critical that until another payment

system is in place that truly recognizes the value and importance of extending these services to such a medically complex group of children, La Rabida continues to receive at least the \$14.2 million in transition payments it receives today.

Conclusion

In closing, to remedy the issues contained herein, La Rabida respectfully requests that the Hospital Transformation Review Committee recognize the transformational investments La Rabida has made as evidence of our commitment to innovate for the benefit of our children, families and payers; and preserve beyond June 30, 2020 at least the same level of transformation dollars we currently receive.