



April 5, 2020

Teaching Hospitals

Broward Health

Jackson Health System

Mount Sinai Medical Center

Orlando Health

Tampa General Hospital

UF Health Jacksonville

UF Health Shands Hospital

The Honorable Ron DeSantis
Governor, State of Florida
Office of the Governor, The Capitol
400 S. Monroe Street
Tallahassee, FL 32399-0001

Mary Mayhew, Secretary
Florida Agency for Health Care Administration
2727 Mahan Drive
Building 3 Mail Stop #8
Tallahassee, FL 32308

Re: Request Emergency Appropriation under the Powers of Executive Order 20-52, Section 5, for COVID19-Related Medicaid Hospital Reimbursement: State General Revenue Freed-up by FMAP Increase Should Be Reinvested into the Programs for which it was Appropriated in the 2019-20 GAA.

Public Hospitals

Halifax Health

Lee Health

Memorial Healthcare System

Sarasota Memorial Health Care System

Dear Governor DeSantis and Secretary Mayhew:

The rapid spread of the dangerous novel coronavirus (COVID19) is stressing all aspects of life in Florida. Perhaps no part of our state is being strained greater than our more-vital-than-ever hospital safety net. The work of President Trump and the U.S. Congress affords Florida an opportunity to increase support to Florida's frontline hospitals while maximizing state funding already appropriated. Strong partnerships between hospitals and government are essential if we are to mount a coherent and effective response.

Children's Hospitals

Johns Hopkins All Children's Hospital

Nicklaus Children's Hospital

The FMAP increase frees-up over \$600 million of Medicaid general revenue dollars in the second half of SFY20-21. As the state awaits the funding committed to Florida in the federal CARES legislation, there are measures that can be taken today to maximize federal funding already provided to Florida, which could be used to strengthen the healthcare front lines of the war over COVID19. The recommendations presented herein only expend a small fraction of the newly unencumbered general revenue funds created by the increase in the FMAP; but will greatly benefit hospitals struggling under the new restrictions on elective procedures and investments in readiness. Reinvesting the state general revenue freed-up by the FMAP increase back into the programs for which it was appropriated in the SFY2019-20 GAA can be done quickly and within the powers of E.O.20-52 while we await the desperately needed funding from the federal CARES legislation.

Regional Perinatal Intensive Care Center

Ascension Florida &

Sacred Heart Health System

Justin Senior
Chief Executive Officer

#1. Maternity/Obstetrics DRG Increase.

Justification: In accordance with CDC guidance, hospitals have significantly increased infectious disease prevention protocols in order to protect mothers and their new babies from the COVID19. Hospital labor and delivery (L&D) units are adhering to all staffing safeguards, personal protective equipment (PPE) single use, and relocation in order to isolate maternity patients ensuring that L&D patients and staff do not traverse walkways with COVID19 patients and staff, etc. These activities have significantly increased the cost of providing obstetric, newborn, and neonatal services. Other than COVID19-related patient care, obstetrics is the only care delivery line of business that has remained steady during this crisis.

Melinda Kennedy
President &
Chief Operations Officer

Included in the over \$600 million of GR savings is approximately \$93 million relating to hospital inpatient services in the SFY2019-20 GAA. With the goal of staying within budget neutrality of state funding for inpatient hospital expenditures, our recommendations for increased Obstetric Care reimbursement spends \$51 to \$69 million to implement, less than the \$93 million of general revenue saved in hospital inpatient care due to the increased FMAP.

Specifically, we recommend that Florida Medicaid increase obstetrics service adjustors reimbursement in the following manner:

- a. Fee-for-Service Service Adjustor Implementation: Florida Medicaid should dedicate a portion of the enhanced FMAP to enhance payments for obstetrical services in hospital settings. “Obstetrics” is a specific DRG (diagnosis code) category where it is possible to add a service adjustor. The current DRG parameters include service adjustors for numerous diagnosis categories such as pediatric neonate. These service adjustors are simple multipliers on the DRG reimbursement rate and allow DRGs to fairly reimburse complex resource intensive patient care at a higher reimbursement than routine care. In the example of pediatric neonate codes, there are three levels of severity multipliers: 1.52, 1.8, and 2.0 respectively. There are currently no existing adjustors for any of the severity levels of obstetrics care.
- b. Funding Level Options: Two adjustor model options are presented herein. Each builds off the current year DRG inpatient hospital expenditures of \$2.998 billion. Both models are the same with the exception of the service adjustors for obstetrics which are applied equally to both pediatric and adult and equally to each severity level. The 1st model has an obstetrics adjustor of 2.5 (denoted by purple headers), and the 2nd model has an obstetrics adjustor of 3.0 (denoted by blue headers). The reimbursement benefits of these models are displayed on an annualized basis with each model only applying the FMAP increase to six months of the SFY 2019-20 (January – June 2020).
- c. Managed Care Implementation: Parallel with the obstetrical DRG fee-for-service rate increase, there would be a corresponding increase for obstetrics patients enrolled in managed care. Under the Statewide Medicaid Managed Assistance, maternity care is not included in the PMPM rate and is paid using a “Maternity Kick Payment”, which is reimbursed on a per-delivery basis. As such, these maternity kick payments are calculated using the actual number of deliveries in a region rather than data on member months. Correspondingly, certain costs associated with a delivery are removed from the development of capitation rates. To determine the set of inpatient services covered by a maternity kick payment, Milliman software flags claims that have obstetric DRG codes. Therefore, maternity kick payments in managed care are built directly from obstetrics hospital inpatient stays and easily recalculated and paid to accommodate this increase in reimbursement.

#2. COVID19-related Patient Care.

Note: This issue was previously presented in a letter dated 3/30/20 to Secretary Mayhew from Ms. Kennedy.

Justification: As recognized by the President and Congress, COVID-related hospital care is very expensive. Federal health officials’ decision to publish COVID-specific HCPCS codes, followed by their fast-tracking of

implementation of COVID-specific IDC-10 codes, illustrate CMS and CDC's recognition of the unusual intensity and duration of hospital care required by the novel coronavirus. The members of the Safety Net Hospital Alliance of Florida (Safety Nets) hope that Florida Medicaid will also rapidly implement congruent policies as we grapple with this rapidly evolving crisis.

In order to best protect the health of both the public and our hospital workforce, Safety Net members have implemented universal precaution protocols consistent with CDC guidelines and CMS-mandated infection control procedures. These protocols dictate that every individual who presents symptomatic at one of our facilities is assumed positive and thus receives the highest level of care, in-hospital isolation (*in a private room per CDC guidelines*), PPE, staffing, etc. for as long as needed - which may be days or even weeks. Treatment changes only after a positive/negative result has been confirmed. Handling patients in this manner ensures the largest number of infected Floridians are quarantined and treated at the earliest onset of symptoms.

To that end, we have two specific recommendations regarding the new COVID billing codes:

- a. Apply 20% Add-On to COVID+ Medicaid Enrollees Hospital Care: The recently-signed CARES federal legislation provides for a 20% "add-on" to Medicare DRG payments for treating COVID patients. Florida Medicaid's coding and weighting of DRGs for COVID treatment should be commensurate with the new Medicare law.
- b. Apply 20% Add-On to All COVID-Related Medicaid Enrollee Hospital Care: Florida Medicaid code weights for persons under investigation who have been hospitalized, but whose COVID-19 status has not been confirmed (due to testing delays, etc.), or is found to be negative, should be independent of the final diagnosis. The care delivery process is identical, regardless of their final diagnosis. Accordingly, Medicaid's COVID code weights should be adjusted with the 20% "add on", regardless of the patient's final diagnosis.

To conclude, COVID19 presents a unique and daunting challenge to Florida's health care infrastructure but protecting the public's health has long been the core mission for the Safety Nets. We would ask you to keep in mind that hospitals are businesses, just like restaurants and cruise lines, and have seen marked reductions in revenue due to precipitous drops in non-COVID patient care and elective procedures. We too, are struggling to make difficult choices regarding staff furloughs, clinic operating hours, etc.

The Governor's E.O. 20-52 provides the authority to redirect unspent general revenue. Specifically, section 5 states "that sufficient funds be made available, as needed, by transferring and expending moneys appropriated for other purposes, moneys from unappropriated surplus funds,..." Using the obstetrics diagnosis code service adjustor as our example, this request is clearly within the purview of E.O. 20-52, as it simply repurposes general revenue appropriated for a hospital inpatient DRG model *without* an obstetrics service adjustor to a DRG model *with* an obstetrics service adjustor. In other words, this is a specific appropriation amount directly tied to increasing payments for hospital inpatient obstetrics services. Just as the Governor has the power to veto an adjustor in DRGs on the basis that it is tied to a specific appropriated amount, in this situation the Governor is able to establish an adjustor tied to a specific appropriated amount.

As you know, the members of the Safety Net Hospital Alliance of Florida are the state's highest ranked public, teaching, children's, and regional perinatal intensive care hospitals according to CMS Star Rating Program and US News & World Report Best Hospitals. All of our members are not-for-profit and treat all patients regardless of their ability to pay. Our hospitals are proudly serving on the front lines of the battle against COVID-19 in Florida.

In Service,

A handwritten signature in black ink that reads "Melinda L. Kennedy". The signature is written in a cursive style with a large initial "M".

Melinda L. Kennedy
President & Chief Operations Officer Safety
Net Hospital Alliance of Florida

attachment