

# **Executive Summary of Hospital Settlement Agreement**

## **Background**

- Resolves legal claims that potentially expose state to roughly \$4 billion in liability
- Improves the state's financial position in FY 2020 by approximately \$300 million when compared to hospital user fee and payment provisions under PA 17-4, June Special Session
- Requires legislative approval (CGS § 3-125a) and implementing legislation

## **Settlement Overview**

- 7 year term: SFYs 2020-2026
- Second hospital user fee reduced from \$900 million in SFY 2019 to \$820 million by SFY 2026
- Medicaid rate increases effective January 1<sup>st</sup> of each year of term: 2.0% inpatient; 2.2% most outpatient services
- Supplemental Payments (compared to \$453.3 million in enacted biennial budget)
  - \$548.3 million SFYs 2020-2021; \$568.3 million for SFYs 2022-2026
- One-Time Refunds/Payments: \$70 million user fee refunds; \$9.3 million Medicaid payments
- Other Payment Terms
  - Medicare wage index modification, plus other adjustments
  - For term, Medicaid hospital payment methodology cannot be altered – restriction applies to inpatient and outpatient rates and supplemental payment amounts and distribution

## **Limitation on Taxation of Hospitals**

- No changes to hospitals' current tax exemptions, including municipal property taxes, corporation business tax, sales and use taxes, and motor vehicle fuels tax
- For term, no more than 15% of revenue from new or amended taxes can come from hospitals

## **Funding for Biennium**

- Requires \$180.7 million over biennium – \$160 million transferred from SFY 2019 and \$20.7 million from unappropriated General Fund resources in SFY 2020; funds available under PA 19-117, § 50

## **Mitigating Unanticipated State Costs Due to Federal Actions**

- Contingency to protect state from financial impact of federal actions that may occur
- State can negotiate with hospitals for mutually agreed adjustments at any time
  - If no agreement, state costs could increase up to \$50 million per SFY
  - State can ask court to modify agreement for state costs between \$50–100 million per SFY
- State can terminate agreement if increased state costs exceed \$100 million per SFY
  - If state terminates, hospitals reinstate legal claims, reduced by applicable percentage

## **Value-Based Payments**

- DSS cannot require downside risk in Medicaid hospital payments for term
- DSS may require upside-only Medicaid hospital value-based payments starting SFY 2023

## **Timing and Enforcement**

- Agreement contingent on federal approval of tax waiver and Medicaid State Plan Amendments
- Superior Court retains jurisdiction to enforce agreement

**SETTLEMENT AGREEMENT - FINANCIAL SUMMARY** *(in millions)*

	<b>Enacted</b>		<b>----- Settlement Agreement -----</b>							
	<b>SFY 2019</b>	<b>SFY 2020</b>	<b>SFY 2020</b>	<b>SFY 2021</b>	<b>SFY 2022</b>	<b>SFY 2023</b>	<b>SFY 2024</b>	<b>SFY 2025</b>	<b>SFY 2026</b>	
Hospital User Fee	\$900.0	\$900.0	\$890.0	\$882.0	\$850.0	\$850.0	\$850.0	\$850.0	\$820.0	
Supplemental Payments	493.3	453.3	548.3	548.3	568.3	568.3	568.3	568.3	568.3	
Projection of Hospital Rate Increase	175.1	175.1	180.7	202.7	235.9	269.7	304.3	339.5	375.4	
One-Time Payments to Certain Hospitals			9.3	-	-	-	-	-	-	
User Fee Refunds			70.0	-	-	-	-	-	-	
<b>Net Hospital Position</b>	<b>(\$231.6)</b>	<b>(\$271.6)</b>	<b>(\$81.7)</b>	<b>(\$131.0)</b>	<b>(\$45.8)</b>	<b>(\$12.0)</b>	<b>\$22.6</b>	<b>\$57.8</b>	<b>\$123.7</b>	
									<b>Cumulative</b>	
									<b>Total</b>	
State Impact (from SFY 2019)			(\$107.9)	(\$46.0)	(\$95.7)	(\$107.0)	(\$118.5)	(\$130.3)	(\$172.3)	(\$777.7)
Hospital Impact (from SFY 2019)			149.9	\$100.6	185.8	219.6	254.2	289.4	355.3	1,554.8
State Impact (from SFY 2020 enacted budget)			(\$121.3)	(\$59.4)	(\$109.1)	(\$120.4)	(\$131.9)	(\$143.7)	(\$185.7)	(\$871.5)
Hospital Impact (from SFY 2020 enacted budget)			189.9	\$140.6	225.8	259.6	294.2	329.4	395.3	1,834.8

- Medicaid payments to all hospitals totaled \$2.396 billion in SFY 2019.
- Funding to cover state costs of \$180.7 million in current biennium available pursuant to PA 19-117.
- Estimates above assume 66.6% federal reimbursement on hospital payments.
- Estimates above assume no enrollment/utilization increases after SFY 2021.