Modern Healthcare

Analysts Predict Drop in Provider Net Revenue Under BCRA

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Provider revenue would take a sizable hit under the latest version of the Senate's bill to repeal and replace the Affordable Care Act, a new report found.

The revised Better Care Reconciliation Act, released yesterday, retains the caps on Medicaid spending and rollback of the Medicaid expansion afforded to states' most vulnerable populations. A Congressional Budget Office review of the original bill estimated that 22 million people would lose coverage by 2026.

Every 2% shift in payer mix shift from Medicaid back to uninsured, or self-pay, results in a 1% reduction in providers' net revenue, consulting firm Crowe Horwath's analysis of 357 hospitals found.

"The simultaneous combination of the ACA repeal and more patients moving to high-deductible health plans is creating 'ground zero' for the average hospital," said Brian Sanderson, managing principal of Crowe's healthcare services group, noting that self-pay payer mix could increase by 4.2%, leading to 2.8% dip in hospitals' net revenue. "It's critical that hospitals put practices in place to focus on improving self-pay collections."

Hospitals will also be left with diminishing cash flows as balances for the average uninsured patient sit in accounts receivable for around 97 days, which is 33 days more than average Medicaid balances, the report concluded. Providers also face potential market share loss as patients endure the bill collection process, researchers said.

The Senate's bill would leave states to fill the Medicaid funding gap or end coverage as the enhanced federal payments for expansion would be phased out over three years, starting in 2021. It would also cap the growth of federal Medicaid payments at the medical inflation rate, which is estimated to be 5.6% annually, beginning in 2020. Come 2025, the growth of those payments would be limited to the Consumer Price Index rate, which has averaged around 1.4% since the Great Recession.

It would also end Medicaid's "retroactive eligibility," a long-standing provision that covers necessary medical care of a low-income person who is eligible for Medicaid but not enrolled, researchers at Health Affairs found. Under the BCRA, the hospital would be denied all payment even if the patient was eligible and the services were essential and costly.

These policy changes are expected to acutely impact providers who would be left with higher levels of uncompensated care, especially in states such as California, where 1 out of every 2 children are covered by Medi-Cal, executives said. Even though the proposed bill would bolster Medicaid disproportionate-share hospital payments and allocate more funding to address the opioid crisis, that will not offset the Medicaid cuts, they said.

"The additional dollars to combat the nation's opioid crisis fall far short of replacing the treatment funds lost through the bill's deep Medicaid cuts," Dr. Bruce Siegel, president and CEO of America's Essential Hospitals, said in a statement. "Likewise, added spending to help low-income people pales in comparison to the hundreds of billions of dollars this bill would drain from Medicaid by ending expansion and imposing spending caps. The Senate must stop and accept that this deeply unpopular bill is bad for patients, bad for hospitals, and bad for the country."

Ultimately, gains made in advancing preventive and primary care could lost as patients revert to using the emergency department, said Robert Annas, a senior managing director at financial advisory firm SOLIC Capital.

"If you reduce Medicaid reimbursement, hospitals will look to reduce expenses and services and there will be more pressure on hospitals that employ doctors," he said. "Hospitals will close and the pace of mergers and acquisitions will accelerate," he said.

Some providers, especially in rural communities in the South and Midwest, will look to repurpose themselves as specialty care clinics or long-term care facilities, Annas predicted.

The average hospital with 120 beds and 15,000 monthly patient visits is losing $8 million to $10 million annually in unsecured patient revenue, and that could significantly increase if more people lose coverage, said Tom Brekka, CEO of VestaCare, a platform that helps secure patient payments upfront through monthly installments.

The Crowe Horwath report recommended that providers develop tools to determine patient's ability to pay, implement payment plans and increase price transparency that allows patients to shop and even negotiate prices for services.

A service like VestaCare that explains some of the charges and provides an automated platform for monthly payments could help in that department, Brekka said.

"The share of hospital revenue that a patient is responsible for is growing dramatically—it cannot be ignored," he said. "There has to be a way of securing payment before they leave. This is a pathway to solve revenue losses while improving patient satisfaction."

A timetable for a vote on BCRA isn't yet known, especially as the industry waits for a new CBO analysis, which is expected early next week.

"All of the hospital CEOs I have talked to are totally against this size of cuts to Medicaid," Annas said. "I find it hard to believe that the bill would get to the floor for debate."

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