CHASE
Colorado Healthcare Affordability and Sustainability Enterprise

Colorado Healthcare Affordability & Sustainability Enterprise (CHASE) Board Minutes

Via Zoom

July 12, 2023, from 2:00pm to 3:00pm

1. Welcome

- Dr. Kim Jackson, Vice Chair, welcomed the Board and called the meeting to order at 2:03pm.
- Dr. Jackson welcomed the new Board members, Jason Amrich and Mannat Singh.

2. Approval of February 28, 2023 Minutes, 2:06pm

- Janie Wade motioned for approval, Jon Alford seconded.
- Minutes unanimously approved.

3. Roll Call

- Dr. Jackson called on Nancy Dolson to do the roll call.
- All Board members present; sufficient for a quorum.

4. Parkview Medical and UCHealth Rules Proposal

- Nancy Dolson, 2:15pm
- Introduction of Nancy Dolson, Director of Special Financing Division, and Shay Lyon, program assistant, with HCPF, who help to inform and facilitate the CHASE Board meetings.
- The Board will review a proposed rule change to the CHASE payment model due to an unforeseen consequence for Parkview Medical Center, which is being acquired by UCHealth.
- Presentation of slides (see handouts).
- Explanation of CHASE program and payment model (slides 2-4 of the presentation).

- Colorado hospitals pay a provider fee, which goes into a cash fund. A matching payment is disbursed from the Federal Center for Medicare and Medicaid Services (CMS). An increased payment is then distributed back out to hospitals and used to increase medical care coverage of Coloradans. The CHASE also pays for its own administrative fees.
- The role of the Board is to make recommendations for the program and the hospital provider fee to the Department of Health Care Policy and Financing (the Department).
- Overview of CHASE supplemental payments (slides 5-6 of the presentation).
- There are six (6) types of supplemental payments: Inpatient (IP), Essential Access (EA), Quality Incentive (HQIP), Rural Support (RSP), Outpatient (OP), and the Disproportionate Share Hospital (DSH) payments.
- There are three (3) limits that these payments are subject to: IP, EA, and HQIP, are all under the Inpatient Upper Payment Limit (UPL); RSP and OP are under the Outpatient Upper Payment Limit (UPL); DSH is under the Federal DSH Allotment.
- The data that is used to calculate the CHASE model is updated every year, for the CHASE Board's review and approval.
- Slide 7: a visual representing the allocation of payments between the Inpatient and Outpatient UPLs.
- Slide 8: an explanation of the CHASE 2022-23 fees and payments.
- Slide 9: an explanation of adjustment factors for the 2022-23 fiscal year.
- Parkview Medical Center is in the "Independent Metropolitan" payment adjustment factor group. It is Pueblo's safety net hospital and largest Medicaid provider.
- Parkview's financial situation has exhibited significant losses and is projected to continue that trend. UCHealth's acquisition would help to keep Parkview operational.
- Slide 13-14: UCHealth's acquisition of Parkview would negatively impact the CHASE payment model, by changing Parkview's adjustment factor group to "Private". This change would significantly reduce the payments that Parkview would receive in

the current version of the CHASE model, for a total loss of over thirty (30) million dollars.

- The proposed rule change is to create a new hospital classification definition to describe Parkview's unique position: "Safety Net Metropolitan Hospital". This classification would specify that "the adjustment factor for a Safety Net Netropolitan Hospital shall be equal to the adjustment factor for a Privately-Owned Independent Metropolitan Hospital". The adjustment factor for Parkview would thus remain the same after the acquisition.
- A precedent was set for this rule proposal to meet the high level goals of maximizing reimbursements and minimizing losses for the CHASE previously.
- End of slides, 2:35pm.

5. Board Discussion

- CHASE Board, 2:36pm
- Lyford: What is the purpose of the CHASE Board action and proposal?
- Dolson: To make a policy recommendation to the Medical Services Board to speak to the change in Parkview's and UCHealth's situations.
- Lyford: Why is the recommendation limited to Pueblo? What would be the effect if applied statewide?
- Dolson: Parkview's situation is unique due to their geographic location and services offered to the community. It would unnecessarily impact the fees received by hospitals who classify under other categories.
- Dr. Jackson: What would be possible pitfalls to a statewide application?
- Dolson: There would be no negative changes administratively or methodologically. Greater changes to the model would require more CMS involvement.
- Lindblom: asked Jon Alford if the UCHealth acquisition of Parkview would still go through, if the proposed rule did not pass?
- Jon Alford invited UCHealth chief counsel, Jacki Cooper Melmed, to answer the question and the Board supported such.
- Melmed: It would be very difficult to push forward the acquisition if the rule change was not made.

- Lindblom: Would the fees paid out to Parkview by the CHASE model system continue to be paid out to Parkview under the new rule, or split up between the UCHealth hospital system?
- Melmed: Yes, the fees would remain with the hospital.
- Singh: Please elaborate on why the change would make UCHealth's acquisition more difficult.
- Melmed: The financial loss would increase from $35 million to $60 million. This loss is nonviable and would make the acquisition impossible to push through.
- Lyford: What are the parties' intentions and motivations surrounding the acquisition?
- Melmed: Parkview approached UCHealth last year to talk about joining the ICHealth system, since the hospitals have had a cooperative relationship in the past. UCHealth intends to work collaboratively with Parkview to provide top notch healthcare for Pueblo, because it's the right thing to do to continue health care access in Pueblo County.
- Vasil: Given that there have been so many mergers and acquisitions in recent years, and in combination with the end of the public health emergency and expanded public healthcare enrollment eligibility, it may be a good time to consider reevaluating some of the UPL groups and their assigned rates for the upcoming CHASE model. Would the Board be involved in this process?
- Dolson: A reevaluation would definitely be warranted. The acquisition of Parkview is more straightforward, because Parkview is already a private hospital.
- Amrich: Parkview is an important part of the Pueblo community. As seen in the acquisition of Memorial Hospital in Colorado Springs, Memorial Hospital was struggling financially. The hospital has thrived since, and important services were allowed to continue in the community. Redefining Parkview's group would allow it to better serve the Pueblo community and become financially stable under UCHealth's partnership.
- Dr. Jackson seconded that comment.

- Dr. Reed: Consider the consequences of not allowing this proposal to pass. The services that are available now to the Pueblo community are important, and there will be large issues if those services are no longer accessible.
- Colussi: I grew up in Pueblo, and I believe that Parkview is the only hospital providing labor and delivery services in that area. I'm in support of the rule change, but what would the community voice be? And how would the Board be kept informed of the acquisition and transition?
- Melmed: Seven community members will be seated on the new board, who are coming from the existing board. There is no mechanism at this time to keep the CHASE Board informed other than the reports that the CHASE already receives.
- Dolson: I agree with Jacki. There's an opportunity for HCPF to keep the Board informed of changes in hospitals, from mergers and acquisitions to new hospitals and changes in service.
- Dr. Jackson: We have a lot to look at, and it can be information overload. Nancy and the team have done a great job boiling down what we need to fulfill. Some of that is happening and in other ways, maybe just not as formal.
- Dolson: Thank you, Dr. Jackson. Happy to continue doing so. Also, myself and my staff are happy to go into any level of technical detail for any CHASE Board member, so if anyone would like a one-on-one meeting to give direction or guidance to make sure that we are bringing information that is useful to the Board.
- Wade: To comment, I don't think that the situation for Parkview is unique. You said earlier, Nancy, that they haven't recovered as quickly as other hospitals, but I don't think that that's the case. A lot of hospitals in the state are struggling, some of which are a part of systems and some of which are independent. I think we need to be aware as CHASE Board members, that there is a real issue right now in healthcare systems across the country. Inflation ran a few laps around expense on the revenue side, and it's really hitting hard the hospitals that have a high mix of Medicaid and Medicare cases. Those rates have not adjusted in the same way that inflation has moved. It's really important for the non-hospital Board members to understand that and understand that this is not unique to Parkview. A lot of the

information that you see in the media and in the Hospital Transparency Report and other things that happen during the legislative session is data that's in the arrears and represents the time when balance sheets were stronger, because the stock market was higher and inflation had not hit them yet. You saw the deterioration in the data "cash on hand" for Parkview. That is not unique in healthcare right now. There's a good chance that we'll be having more of these meetings as the year goes on, so we should all be aware of what's happening in the environment.

- Dolson: Thank you, Janie. We have another event happening, what we call the Public Health Emergency unwind, and no longer have folks locked in to Medicaid. I know our hospital partners, advocates and other partners are helping to get the word out. Some folks are re-enrolling, or they're not eligible for Medicaid, or they're finding coverage through their employers through the exchange, for example. So thank you, very good point. The last few years have been very troubled, and there are more changes coming. Any follow up, Janie?
- Wade: I also wanted to say thank you for your help in the re-enrollment. I hope you're successful. Colorado is one of the good actors in this saga. I know that there will be more uninsured volumes through the hospitals and less Medicaid. Some will be successful in enrolling in things like the public option or the exchange, but a lot are not going to. They're going to be without coverage, so that is an additional burden onto hospitals and physician clinics in these settings. Something to keep in mind. Smaller hospitals are going to struggle, and even large systems with hospitals that have a higher mix. It's going to be an issue.
- Alford: Another piece that's changed recently is the Hospital Discounted Care, which pushes more towards the safety net hospitals and the rural hospitals who have more of an employee model. You have independent physicians throughout the state that the rule does not apply to. It really only applies to the hospital outpatient department and employed physicians. As we talk more about those continued headwinds, that's one to also keep in mind and the Board may want to have a discussion in the future.
- Alford: The second thing is, reminding everyone that I'm not involved in the transaction, but I want to point out that the calculation shows that, with a change

in ownership, a heavily Medicaid-serving hospital would move to a spot where they were a net loser in a program that's supposed to help support access for Medicaid patients. It would be pulling money away so that their fee would be higher than their net back in. We should be thoughtful about how we set up these rates, going back to the spirit that this is supposed to help support those hospitals that serve a higher amount of Medicaid. I don't think that the intent is for them to pay if they have a larger portion of the burden.

- Colussi: John, to your statement about access to care, my understanding is that Parkview recently closed their psych beds. Does UCHealth have any plans to add psych beds or address access to care issues that are similar?
- Alford: I can only speak for my facility. We just opened a forty bed inpatient psych hospital. For my region, we continue to invest even though it's a significant money loser, and as it pertains to this Board, Medicaid doesn't cover most mental health or behavioral health and hospital services. So, as a system, yes, we're committed to it and will continue to increase access. I don't know about future plans for reopening anything for Parkview.

6. Public Comment. 3:12pm

- Question from Kim Bimestefer: I would like to ask for clarity from UCHealth and/or Jacki on the services maintenance going forward.
- Melmed: For UCHealth, the transaction close will be focused on maintaining services that are currently offered by Parkview to the greatest extent possible. We will be mindful of the needs of the community and financial feasibility. It's challenging, but our intention and our discussions with Parkview have focused on maintaining current levels of services, subject only to a couple of caveats.
- Colussi: What factors would go into those decisions if services were curtailed?
- Melmed: We have agreed with Parkview that we will preserve certain existing services at current levels. The only caveats are what any hospital system would need to think about. We cannot control what happens in the community, and we are committed to responding to the needs of the community. That would be our first consideration, and then financial feasibility. If there are things we can't do, or we have tough choices, those are the two factors that we would consider.

- Alford: Coming out of the public health emergency, and with all of the hyperinflation, we're seeing 18-22% increases in the cost of our drugs and 30% increases in our labor force for hospitals. This increases subsidies needed to keep physicians in the communities that we're in, because their payments are shrinking. Healthcare leadership, like any business, reviews programs to see how large of a loss can be sustained or offset by other programs that maybe have some margin in them, seeing if a program, quality-wise and volume-wise, can continue. We might look at a program and say, we struggle to keep neurosurgery coverage in one of my hospitals in the northern metro area; it's increasingly difficult to find and keep neurosurgeons there, and we wouldn't maintain the volume of competency of our staff, to be safe from a quality outcome.
- Amrich: I would add that there is a focus of multiple conferences about how healthcare systems can make the decisions to maintain services. It's all multi-factorial. There's a hospital that had to do lay offs in order to keep the birthing program going, because it's important to the community. It's hard to pinpoint an answer.
- Colussi: My concern is labor and delivery only at Parkview. I wouldn't want to see impact to that, or access to care, or a care desert, of any sort in that region.
- Melmed: We've had lots of opportunities to negotiate with Parkview, to make sure that we've reached an arrangement that is acceptable to them. No one would be more concerned about those issues than Parkview themselves. We've also been subject to regulatory review by the FTC and by the AG, where these matters also came up. UCHealth has a strong record that speaks for itself and there are no examples where UCHealth has come in and stripped a hospital or has made decisions to restrict access. I appreciate the concerns. We're aware of the issues in Pueblo. Our intention is to do as much as possible to maintain access.
- Lindblom: If the rule is approved and changed, will the acquisition occur?
- Melmed: There are details of the transaction that I have nothing to do with, so I can't say more about it.
- Singh: We've been talking about preserving the services and maintaining the access and not creating deserts for the area, but one of the things that we've learned is

that with acquisition, as important as it is to make sure that Parkview stays whole, is an increase in cost to care for consumers. With these mega-systems and hospital acquisitions, we've seen with some national data, some local data that the cost of care is being transferred to the patient, making it unaffordable, even if they do have insurance, even if they do have coverage. I don't know if that's under the privacy of this Board to discuss, but from my perspective it is something we'll still be asking for more information about as this conversation goes forward.

- Wade: We've seen healthcare salary and wage and benefit increases of about 37% since the pandemic. Medicare rates increased 2-4% on the hospital side this last year. Medicaid is not going up by anywhere near 37%, and commercial rates are not going up even in the double digits. We have been subsidizing a huge amount of expense and not passing it on to the consumers. Hospitals that have a majority of their payer mix and governmental payers don't have the ability to pass it on to consumers. It's not a result of mergers. It's the result of massive inflation. Most of us on this call can tell you about massive wage increases that we've made to caregivers in our organization, and those are locked in. We have to look for greater efficiencies and try to not pass on the cost to the consumers. We've lost 20% of our health care workforce in this country. I want to make sure that people understand that, and that inflation is not being passed on in healthcare.
- Alford: I would also point out, who funds the $34.6 million loss for Parkview? Short of passing a tax or something in that community, it's more expensive to operate that hospital as a standalone. A standalone can't survive on the rates that Medicare and Medicaid pay. Medicaid pays around 82-85 cents on the dollar. How could I stay open as a business and charge my customers less than it costs me? What happens is these independent systems, like Parkview, are starting to close around the country and create healthcare deserts, unless another system steps in and takes on that loss.
- Lyford: I just have one comment to make which is, should this Board adopt a policy recommendation that would go to the Medical Services Board for emergency rulemaking. I would just like to communicate, along with that policy recommendation that at least from my perspective, I'm generally not in favor of

establishing rule making or regulatory changes that have very discreet impacts on single stakeholders or players in the market. I will say that I am intending to vote in favor of this motion, because of the outcome, and and and and ensuring that the dollars continue to flow on a status quo basis to the beneficiaries. But from a governance standpoint, this is not generally something that I prefer to see. for various reasons. But again, I would just ask that that be. I know that's the voice of one. But if that could potentially be communicated to the Medical Services Board, so that they deliberate the rulemaking side of this, they could consider that aspect of establishing a norm or rule to address this issue.

- Dolson: Part of our role at HCPF as we bring this presentation to the Medical Service board is to communicate to them the public and stakeholder comments, and particularly the recommendation coming from this Board. We want to communicate to them the substance of the discussion of the conference that was raised and would certainly be happy to note that that was a comment, at least by one Board member that was there, even though he was supportive.

7. Board Action

- Shay Lyon took a roll call vote at 2:06pm.
- Ryan Westrom voted in the affirmative.
- Janie Wade voted in the affirmative.
- Bob Vasil voted in the affirmative.
- Jeremy Springston voted in the affirmative.
- Dr. Claire Reed voted in the affirmative.
- George Lyford voted in the affirmative.
- Scott Lindblom voted in the affirmative.
- Dr. Kim Jackson voted in the affirmative.
- Matthew Colussi voted in the affirmative.
- Mannat Singh voted in the affirmative.
- Jason Amrich voted in the affirmative.
- John Alford voted in the affirmative.
- Unanimously approved. The rules will be presented to the Medical Services Board for emergency approval.

8. Adjourn,

The meeting was adjourned at 3:41pm. The next scheduled meeting is on August 22, 2023, via Zoom.

Reasonable accommodations will be provided upon request for persons with disabilities. Please notify the Program Assistant at 303-866-4764 or Shay.Lyon@state.co.us or the 504/ADA Coordinator hcpf504ada@state.co.us at least one week prior to the meeting to make arrangements.