

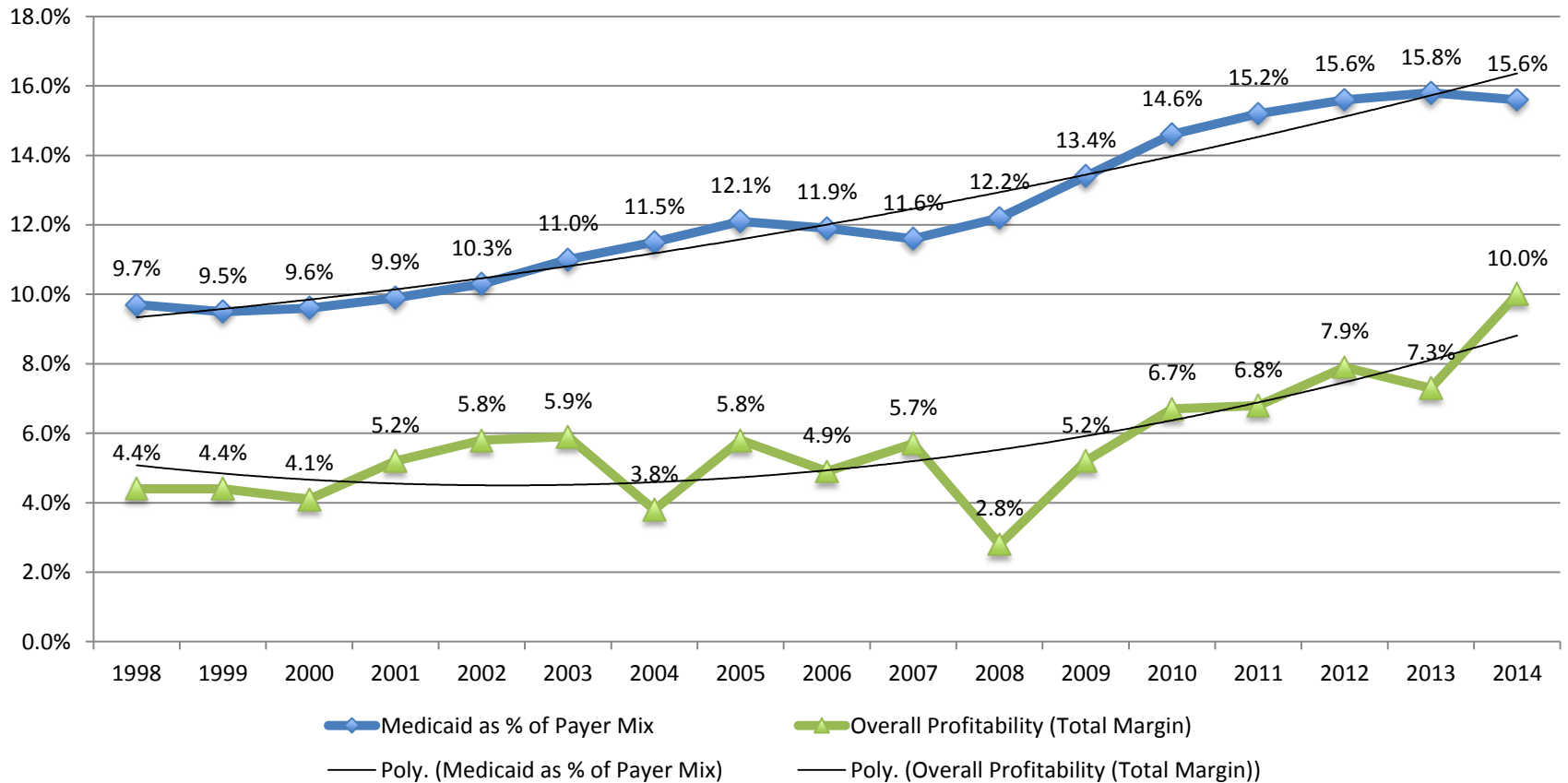
FLORIDA FIRST BUDGET HOSPITAL SAVINGS

Eliminating Arbitrary Diagnosis Related Group
(DRG) Add-ons that Fund Record Hospital Profits

**Data from Florida Hospital Uniform Reporting System*

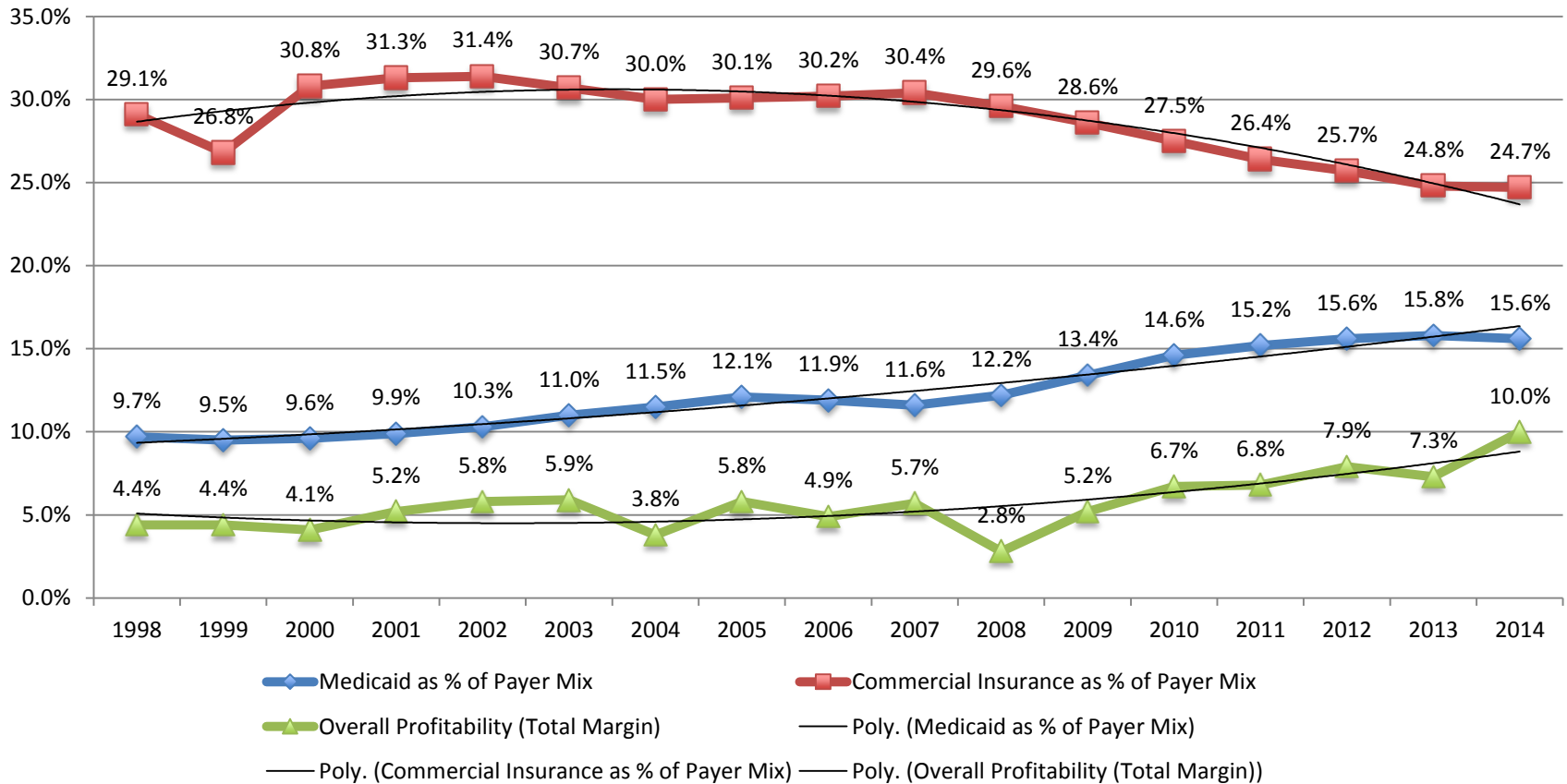
Medicaid and Profits

Payer Mix and Profitability at General Acute Care Hospitals in Florida 1998-2014



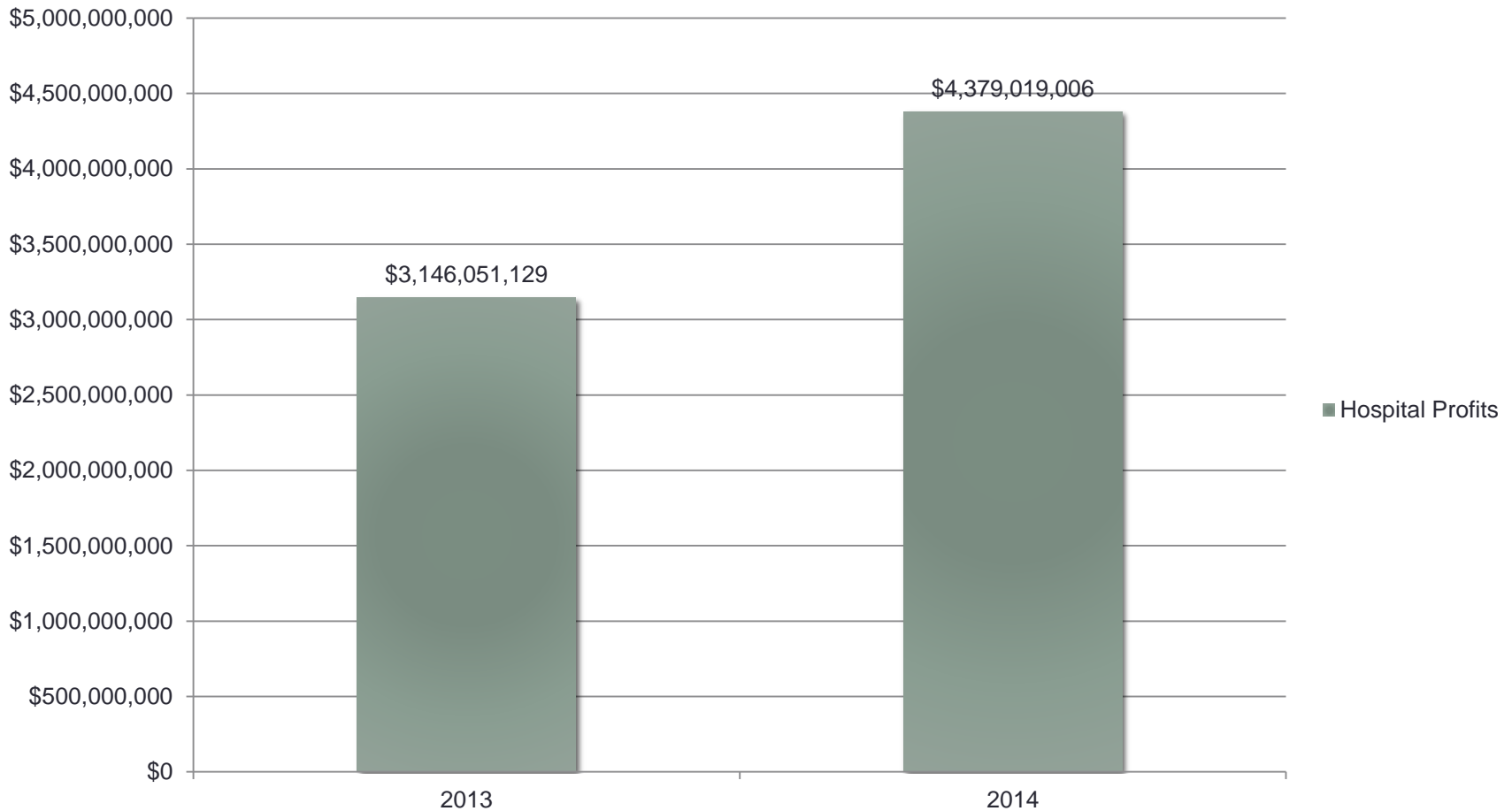
Medicaid and Profits

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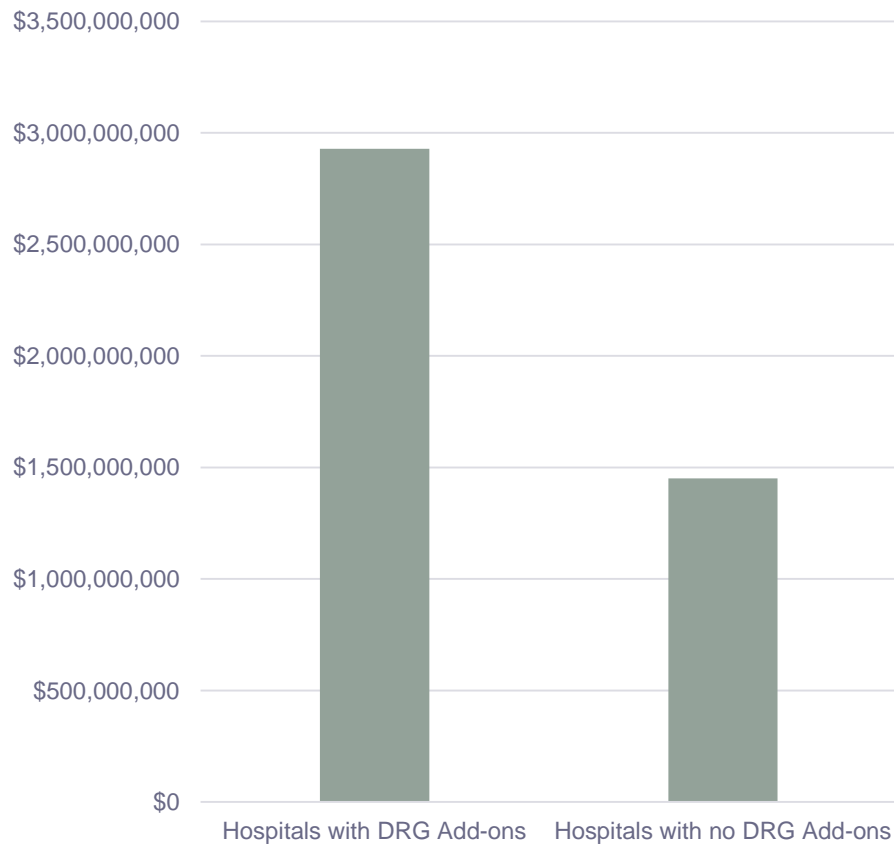
More than \$1 billion in profit growth in 2014

Overall Profitability of Florida Hospitals

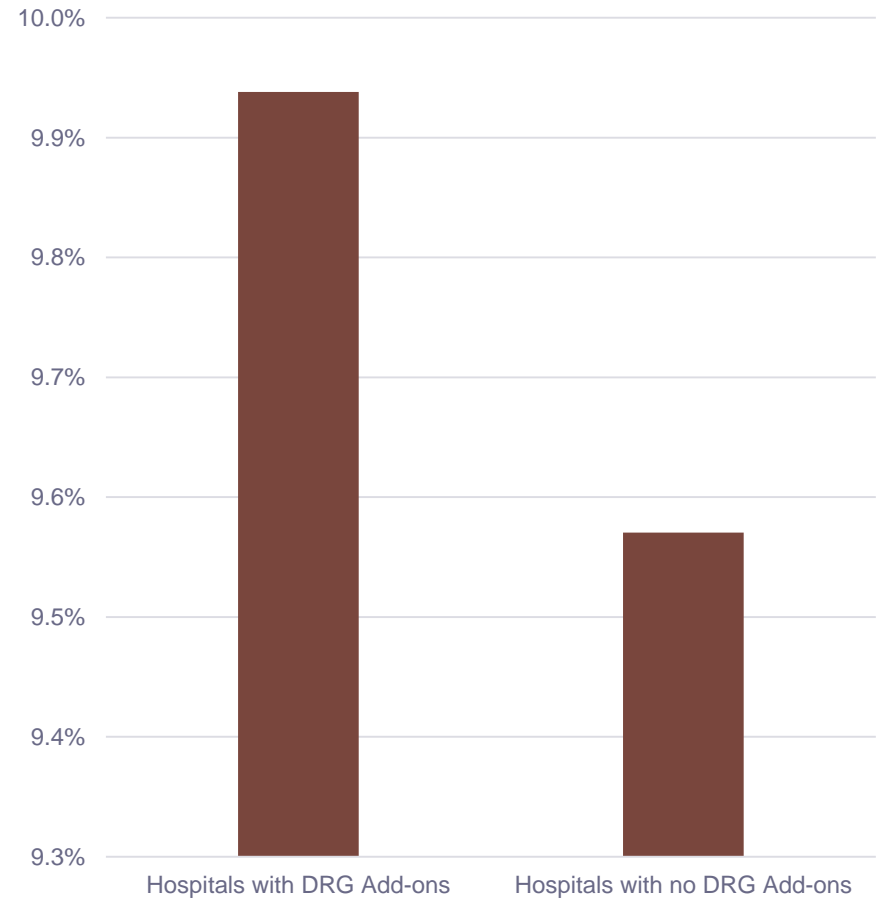


Overall Profitability and DRG Add-ons

Total Margin and Medicaid DRG Add-ons



Total Margin % and Medicaid DRG Add-ons



Reduction Types to DRG Add-ons

Reduction Type 1

- If the hospital...
 - *Has greater profitability compared to the record statewide margin;*
 - *Has an add-on amount that is less than its profit plus the net impact to its Medicaid supplemental payments; and*
 - *Has an add-on amount that is less than its profit growth plus the net impact to its Medicaid supplemental payments*
- ...then the hospital's full add-on amount is eliminated.

Reduction Type 2

- If the hospital...
 - *Has greater profitability compared to the record statewide margin;*
 - *Has an add-on amount that is greater than its profit growth plus the net impact to its Medicaid supplemental payments*
- ...then the hospital's add-on amount is reduced by an amount equal to its profit growth plus the net impact to its Medicaid supplemental payments.

Implications of this approach...

- Reductions only apply to arbitrary and inconsistent DRG add-on amounts that bear no relationship to improving access to or quality of care for Medicaid patients, but rather are based on antiquated methodologies that predate the DRG methodology.
- No hospital with a reduction to its add-on can be put in a worse financial position than it was in entering 2014.
- No hospital not facing a reduction to its add-on can face a reduction beyond the net impact to its Medicaid supplemental payments (LIP, DSH, and GME).
- No hospital that is less profitable than the record statewide margin of 9.8% can face a reduction beyond the net impact to its Medicaid supplemental payments.
- Reductions to add-ons save taxpayers more than \$200 million, and still leave hospitals with a comfortable amount in record profits. All else equal, this reduction would lower the statewide hospital profit margin to 9.4% and still more than \$4 billion.