

# HIP 2.0 Financing Overview

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## Overview of Hospital Assessment Fee

The Healthy Indiana Plan 2.0 (HIP 2.0) will be funded in part through Indiana's existing cigarette tax revenues that support the current Healthy Indiana Plan (HIP) program, as well as funds from the Hospital Assessment Fee (HAF). The HAF is an existing program that was authorized by the Indiana General Assembly in 2011, reauthorized in 2013 and codified in statute at Ind. Code §16-21-10 through 2017. The HAF is assessed against all licensed acute hospitals and private psychiatric hospitals, and was designed to increase hospital inpatient and outpatient reimbursement to align with the level of payment that would be paid under the federal Medicare program. The State also maintains a share of the HAF assessment to cover costs related to the Medicaid program.

The legislation establishes the Hospital Assessment Fee Committee (Committee) which is tasked with overseeing the development of the assessment formula and its implementation. The four-member Committee (comprised of two members from the State and two members representing hospitals) must approve any Medicaid state plan amendment, waiver request, or revisions to either as related to the hospital assessment fee.

## HIP 2.0 Financing

The State and the Indiana Hospital Association (IHA) have reached a mutually beneficial agreement regarding the use of the HAF to fund a HIP expansion. Hospitals through the HAF would begin making contributions in 2017, when the federal government requires a State contribution for health related costs for HIP expansion. The agreement proposes to recalculate the HAF formula at a level such that taken together with the annual cigarette taxes, both revenue sources would be sufficient to fund the following expenses:

- State costs of expanding HIP to able-bodied Hoosiers below 138% FPL, including administrative costs, and the cost of the new premium assistance program for employer sponsored coverage.
- State share of payments to fund an increase to 75% of Medicare reimbursement rates for physician and physician extender services provided under current Medicaid programs including Hoosier Healthwise, programs for the aged, blind and disabled, and other non-HIP programs.
- Additional annual funding of \$50M starting in 2017 to fund the Medicaid program and contributions to the HIP trust fund to assure appropriate reserves and funding for 1 year of HIP operational costs.

The terms of the State's waiver request rely on the availability of the enhanced federal matching rate and the continuation of the State's provider assessment on hospital. If either funding source is reduced or eliminated at any point during the five-year waiver period, the HIP 2.0 program will automatically terminate for the new expansion population.

## 6-Year Budget (SFY 2015-2021)

<b>REVENUE</b>	
Cigarette Tax Revenue	\$ 676M
HAF Revenue	\$ 959M
<b>Total Revenue</b>	<b>\$1,635M</b>
<b>COSTS</b>	
HIP Expansion Costs (Admin & Provider Rate Increase in Medicaid)	\$1,462M
Contribution to Medicaid & HIP Trust Fund	\$ 173M
<b>Total Costs</b>	<b>\$1,635M</b>