

## Fiscal Estimate - 2005 Session

Original     
  Updated     
  Corrected     
  Supplemental

|   |   |
|---|---|
| <b>LRB Number</b> <b>05-0593/1</b>  | <b>Introduction Number</b> <b>AB-1121</b> |
| <b>Description</b><br>Requiring Medical Assistance incentive payments to hospitals that establish a physician order entry record system   |   |
| <b>Fiscal Effect</b>  |   |
| <b>State:</b>   |   |
| <input type="checkbox"/> No State Fiscal Effect<br><input type="checkbox"/> Indeterminate<br><input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget<br><input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No<br><input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs   |   |
| <b>Local:</b>   |   |
| <input checked="" type="checkbox"/> No Local Government Costs<br><input type="checkbox"/> Indeterminate<br>1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br>2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br>5. Types of Local Government Units Affected<br><input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities<br><input type="checkbox"/> Counties <input type="checkbox"/> Others<br><input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |   |
| <b>Fund Sources Affected</b>  |   |
| <input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.435(b) & (o)  |   |
| <b>Affected Ch. 20 Appropriations</b>   |   |
| <b>Agency/Prepared By</b>   | <b>Authorized Signature</b>               |
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|   | <b>Date</b>                               |
|   | 5/1/2006                                  |

## Fiscal Estimate Narratives

DHFS 5/1/2006

|   |           |                     |         |               |          |
|---|-----------|---------------------|---------|---------------|----------|
| LRB Number  | 05-0593/1 | Introduction Number | AB-1121 | Estimate Type | Original |
| <b>Description</b><br>Requiring Medical Assistance incentive payments to hospitals that establish a physician order entry record system |           |                     |         |               |          |

### Assumptions Used in Arriving at Fiscal Estimate

This bill provides an annual incentive payment under Medical Assistance (MA) to hospitals that establish a physician order entry record system by January 1, 2009 and continues to maintain that system. A hospital's incentive payment would be equal to 1% of the hospital's MA payment in the previous fiscal year. This bill would become effective on January 1, 2007 or the day after publication whichever is later and directs DHFS to make incentive payments from Medicaid appropriations. 20.435 (4)(b). This bill does not provide additional funding for the incentive payment. Thus payments under this bill would be made from currently budgeted funding for MA hospital payments by adjusting MA funding between hospitals to account for the incentive.

It is assumed that the incentive payment would be allowable under MA, and that DHFS could claim federal match on the payments.

The bill does not exclude hospitals that have established a physician order entry record system (POERS) before the effective date of the bill from receiving incentive payments. Therefore it is assumed that hospitals that already have a POERS would receive an incentive payment.

The majority of MA payments to hospitals are made to large and mid-sized hospitals, and many of these hospitals have established a POERS. Under this bill, these hospitals would receive an annual incentive payment at the rate of 1% of their previous fiscal year's MA payment beginning January 1, 2007. It is estimated that the cost of these payments would total \$7,004,300 AF (\$2,975,400 GPR) annually which is calculated as the projected SFY 06 MA payments including managed care payments to hospitals times 85% (which is the percent of payments assumed to be attributable to hospitals that have a POERS) times 1% (which is the incentive payment rate). Thus, in the first year of implementation, this bill would shift \$7,004,300 AF (\$2,975,400 GPR) from hospitals that do not already have a POERS to hospitals that do.

Hospitals that do not already have a POERS may establish one by January 1, 2009 and receive an incentive payment. If two-thirds of the remaining hospitals adopt this system, the cost of the additional payments is estimated to be \$828,200 AF (\$351,800 GPR) annually. This cost represents a shift of Medicaid funds between hospitals in the first year of implementation of the bill due to the incentive payment.

This bill could result in a permanent shift of MA funds from hospitals that do not currently have a POERS system to those that do. However, it is not clear that this will be the result because MA payments to hospitals are based on many factors that could result in increased or decreased payments.

Presently, information is not collected on whether hospitals utilize a physician order entry record system. In order to administer the payment under this Bill, the Department would have to establish a reporting mechanism and data record system for this information. It is estimated that it will cost approximately \$12,000 annually to collect and input this data.

### Long-Range Fiscal Implications