

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-4277/3		Introduction Number SB-605		
Description Changing the definition of hospital for purposes of approval by the Department of Health and Family Services and Medical Assistance reimbursement				
Fiscal Effect				
State:				
<input type="checkbox"/> No State Fiscal Effect				
<input type="checkbox"/> Indeterminate				
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues		
<input type="checkbox"/> Decrease Existing Appropriations		<input type="checkbox"/> Decrease Existing Revenues		
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget		
		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<input type="checkbox"/> Decrease Costs				
Local:				
<input checked="" type="checkbox"/> No Local Government Costs				
<input type="checkbox"/> Indeterminate				
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
5. Types of Local Government Units Affected				
<input type="checkbox"/> Towns		<input type="checkbox"/> Village <input type="checkbox"/> Cities		
<input type="checkbox"/> Counties		<input type="checkbox"/> Others		
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts		
Fund Sources Affected		Affected Ch. 20 Appropriations		
<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 (4)(b) and (o)				
Agency/Prepared By		Authorized Signature		Date
DHFS/ Lori Richter (608) 266-5422		Andy Forsaith (608) 266-7684		2/22/2006

Fiscal Estimate Narratives

DHFS 2/22/2006

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Description Changing the definition of hospital for purposes of approval by the Department of Health and Family Services and Medical Assistance reimbursement					

Assumptions Used in Arriving at Fiscal Estimate

This bill revises the Medicaid (MA) definition of "hospital" to permit hospitals to "elect" to include or exclude as part of the hospital any facility recognized as part of the hospital under Medicare conditions of participation. This provision would require MA to pay at the outpatient (OP) rate for services provided at off-site, hospital-owned clinics. By creating a broader definition of a hospital, this proposal would allow hospitals to bill MA for professional and hospital services that are actually provided at Medicare-certified OP clinics. This would result in a significant increase in the number of MA services eligible for hospital payment. Currently, separate clinics, even if owned by a hospital, are reimbursed under a fixed fee schedule, based on type of service.

Currently, per state statutes, MA pays for services provided in the hospital OP facility using an average rate per visit, based on the historical cost of all visits to the facility. Services provided in other facilities owned by the hospital are not used in computing that average, and are paid according to a separate, maximum fee schedule. If the hospital has a separate clinic, the reimbursement for these services would likely increase. For example, the MA fee schedule maximum payment for a new patient visit to a physician is approximately \$55. The average rate per visit payment to hospitals is approximately \$145. MA payment for these clinic services could increase by up to 160%. It might be thought that the increase in payments for physician services could be offset to some degree in the future by a lower average cost per hospital visit or by adjusting the rate paid to the hospital. However, information on the clinics costs and visits is not currently collected so that the appropriate adjustments would not be known in the initial years. It would take a number of years (and a significant number of new staff) to collect and incorporate clinic costs into hospital rate setting. In the short run, the current average cost per visit would be the only available figure to make payments. There is a great degree of uncertainty in calculating a fiscal impact of this bill. It is not clear how many facilities would be added by hospitals, and the information would not be immediately available to incorporate added facilities using current methods. Hospitals which could increase MA revenue might elect to designate remote facilities as part of the hospital, while other hospitals would elect not to do so where it would decrease payments would not. The bill would allow a hospital to include a facility as part of the hospital one year, and exclude it the next year, based on whatever is most expedient. This could increase MA costs significantly, and would make predicting future hospital payments very difficult, if not impossible.

As a result, it is assumed that this bill could increase fee-for-service physician/clinic costs by 25%. Physician/clinic fee-for-services expenditures are projected to total \$100.3 million in FY 06. Also, it is projected that HMO costs would be impacted since HMOs costs are affected by changes in the fee-for-service system. Providers in an HMO network often expect to receive what is paid in the fee-for-service system. It is estimated that physician/clinic services provided by HMOs total approximately \$274.5 million. A 25% increase in both fee-for-service and HMO areas would increase in Medicaid expenditures of \$93.5 million AF (\$39.5 million GPR).

The bill would also increase costs and workload for the Bureau of Quality Assurance (BQA). Currently, BQA engineers are responsible for construction plan review and inspection involving licensed health care facility buildings and projects in mixed use buildings – those with both a licensed health care facility and other commercial occupancies. Under the proposed bill, hospitals could include or exclude under their approval (license) related facilities that are recognized as part of the hospital under the Medicare program. This would include any number of clinics, treatment facilities, outpatient surgery centers, and other facilities that the hospital has designated as provider-based. With these "related" facilities falling under the definition of a hospital, future remodeling projects to these "related" facilities would generate significant additional plan review workload for BQA engineers.

Annually, the BQA hospital unit receives many complaints about services delivered in off-site locations that are not authorized by CMS. As many as ten per year are serious enough to warrant complaint investigations under state authority. However, BQA lacks authority to investigate complaints in these unlicensed facilities,

and these complaints currently go uninvestigated. Under the bill, BQA would have authority to investigate these complaints. Additional time may also be required for hospital re-certification surveys of hospitals and all "related" facilities. Overall, BQA estimates that plan review and survey workload would increase by a minimum of 1.9 FTEs and approximately \$200,000 AF if the definition of a hospital is changed as proposed in this bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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Description Changing the definition of hospital for purposes of approval by the Department of Health and Family Services and Medical Assistance reimbursement			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$200,000		
(FTE Position Changes)	(1.9 FTE)		
State Operations - Other Costs			
Local Assistance	93,500,000		
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$93,700,000	\$	
B. State Costs by Source of Funds			
GPR	39,525,000		
FED	54,025,000		
PRO/PRS	150,000		
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$93,700,000	\$	
NET CHANGE IN REVENUE	\$	\$	
Agency/Prepared By		Authorized Signature	Date
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