

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 350** HLS 18RS 429
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 2, 2018 6:06 PM	Author: MORRIS, JAY
Dept./Agy.: LDH/Medicaid	Analyst: Shawn Hotstream
Subject: hospital payment reform	

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 Provides for a Medicaid hospital payment methodology

Proposed law shall implement a hospital payment methodology that, to the maximum extent practicable, relies upon base rate payments and minimizes supplemental payments (including Disproportionate Share Hospital (DSH) payments, Upper Payment Limit (UPL) payments, Full Medicaid Pricing payments, or other supplemental payment programs within LDH). Proposed legislation implements a base payment methodology for inpatient services provided to Medicaid beneficiaries based on Diagnostic Related Groups (DRG's). Proposed law requires the DRG payment methodology to take into account, at a minimum the following: hospital peer groups, Hospitals with high Medicaid volume, capital costs, provisions of the Rural Hospital Preservation Act, Psychiatric hospitals, Rehabilitation hospitals, Outlier payments, and patient transfers. Proposed law requires the secretary to implement the new payment methodology on or before September 1, 2018. Proposed law provides for semi annual reporting requirements to the legislative auditor, House Appropriations and Senate Finance, and the House and Senate Committees on Health and Welfare.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The net impact resulting from changing the current inpatient hospital payment methodology (from a per diem basis to a diagnosis related group methodology) is indeterminable, and will depend on the extent to which the department reallocates existing State General Fund match sources to cover costs associated with diagnosis related group reimbursement. ***State exposure would be neutral if state general fund match resources currently utilized for both existing base inpatient per diem payments and supplemental payments to hospitals are sufficient to cover the cost associated with the new diagnosis related group (DRG) payment methodology.*** Information provided by LDH indicates intent to implement a new inpatient hospital payment methodology that is cost neutral in FY 19 (September 1, 2018 implementation date).

Proposed law implements a new Medicaid inpatient hospital payment methodology based on diagnosis-related groups (DRG's), and minimizes the reliance on supplemental Medicaid payments. Supplemental payments anticipated to be reduced include DSH payments from the Uncompensated Care Costs (UCC) program, Upper Payment Level (UPL) Medicaid supplemental payments, and Full Medicaid Pricing (FMP) supplemental payments. Note: A portion of existing Medicaid supplemental payments are funded with fees and self generated revenues (non SGF match sources) transferred from public providers, including Disproportionate Share Hospital (DSH) payments provided under the Low Income & Needy Care Collaboration Agreement (LINCCA). To maintain state cost neutrality, such non state match sources may be required in the out years.

Note: HB 1 Original of the 2018 Regular Session does not provide DSH funding for Public Private Partnership hospitals. LDH anticipates redirecting a portion of state match from these DSH payments for DRG reimbursement. Currently, there is no state match from this payment source to redirect for hospital inpatient services payment reform.

REVENUE EXPLANATION

The net impact to federal matching dollars is indeterminable, and depends on the shifts in financing to support Diagnosis Related Group payments.

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| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}</p> | <p><u>Dual Referral Rules</u></p> | <p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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