SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS for SB 2456

SPONSOR: Senator Sullivan

SUBJECT: Health Care

DATE: April 17, 2000 REVISED: _____ _____ _____ _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	White	O'Farrell	ED	Favorable/CS
2.			FP	
3.				
4.				
5.				

I. Summary:

Committee Substitute for Senate Bill 2456 enacts the recommendations of the Committee on Graduate Medical Education and amends issues related to Medicaid hospital reimbursements. The bill:

- Transfers funding for the Community Hospital Education Act to the Agency for Health Care Administration, in an attempt to generate federal matching funds under Medicaid.
- Creates a Program for Graduate Medical Education Innovations to achieve workforce policy objectives, such as more physicians in under-served areas, more geriatricians, and more ethnic diversity among physicians.
- Defines the term "teaching hospital" and specifies priorities for the Community Hospital Education Program.
- Creates in statute a committee established in last year's General Appropriations Act for graduate medical education in Florida.
- Increases from $1,000 to $1,500 the annual Medicaid hospital inpatient and outpatient services cap for adults.
- Revises Medicaid limitations for hospital inpatient services to provide exceptions for raising reimbursement caps, recognition of the costs associated with graduate medical education, and other methodologies provided in the General Appropriations Act; authorizes AHCA to receive funds from certain entities for the reimbursements; and exempts counties from them.
- Deletes obsolete provisions.

This bill amends the following sections of the Florida Statutes: 381.0403, 408.07, 409.905, and 409.908. It creates one new section of law, as yet undesignated.

II. Present Situation:

Medicaid
Medicaid is a federal program to pay for health care for the poor and disabled, with state provisions in ss. 409.901 through 409.9205, F.S. The state budget for the program for the current fiscal year is over $7.4 billion, and the program will serve about 1.6 million clients. The program is jointly funded by the federal government, the state, and the counties.

The Agency for Health Care Administration is the only agency legally authorized to administer the program in Florida. If federal matching funds are available for state contributions to the program, the funds must be under the agency's control. Therefore, program funds allocated to the Board of Regents for medical education are not available for Medicaid matching.

Committee on Graduate Medical Education
Proviso language accompanying Specific Appropriation #191 of the FY 1999-2000 General Appropriations Act established a committee to study graduate medical education in Florida. The committee membership included the four medical school deans, hospital administrators, and the president of the Florida Medical Association. The committee provided a report on December 1, 1999, recommending that the state seek federal matching funds for CHEP funding and establish a new fund for programs to assist the state to meet medical workforce needs.

Community Hospital Education Program
The 1971 Legislature created s. 381.0403, F.S., the Community Hospital Education Program (CHEP). This program is the only source of direct state funding for primary care graduate medical education[1] in Florida. The objective of the CHEP is to increase the number of primary care physicians practicing in Florida by assisting Florida hospitals defray the high costs of these programs. Annual appropriations are distributed to Florida internship and residency programs based on policies enacted by an 11 member Community Hospital Education Program Council (CHEC), appointed by the Governor. The statute requires highest priority for family practice residencies. The CHEC has historically limited eligibility for funding to "primary care" specialties, defined as general internal medicine, general pediatrics, obstetrics/gynecology, emergency medicine, psychiatry and combined internal medicine/pediatrics, as well as family practice.

The FY 1999-2000 CHEP appropriation of $8.5 million is being used to support approximately 1,543 interns and residents in 58 programs sponsored by 28 teaching hospitals. Family practice residents are being supported at $11,500 per capita, while all other CHEP-supported specialities are receiving $2,650 per capita. CHEP annual appropriations have traditionally been made in the Board of Regents General Office Budget, because the board has statutory responsibility to provide administrative support to the Community Hospital Education Council.

The CHEC has a policy not to provide funding to any internship or residency program with fewer than three participants, unless the appropriate accrediting entity for the speciality allows for fewer participants.

[1]The terms "graduate medical education" and "internships and residencies" are interchangeable.

CHEP funding is not eligible to match federal programs such as Medicaid because it is administered by the Board of Regents rather than the Agency for Health Care Administration.

Graduate Medical Innovations
The state does not have a program to provide incentive funding to hospitals or medical schools to promote state health manpower objectives such as more physicians in under-served areas, more geriatricians, and more ethnic diversity among physicians. Such a program was recommended by the Committee on Graduate Medical Education.

Outpatient Hospital Services
Section 409.905(6), F.S., requires the Agency for Health Care Administration to pay for preventive, diagnostic, therapeutic, or palliative care and other services provided to a Medicaid recipient in the outpatient portion of a hospital. Payment is limited to $1,000 per state fiscal year per adult recipient. The last increase in the cap for hospital outpatient services was in 1987. The average hospital outpatient claim is $164.

Inpatient Hospital Services
In the 1980s and early 1990s, Medicaid expenditures were increasing at double-digit rates. One attempt by the Legislature to slow down the growth was to limit target rate reimbursements on facility-specific Medicaid hospital per diem rates. Medicaid reimburses hospitals according to separate plans for inpatient and outpatient services. The Agency for Health Care Administration uses the plans to authorize per diem rates for each facility according to its cost report. Medicaid payment is considered payment in full for covered services.

The Medicaid hospital reimbursement plans limit growth in reimbursement rates based on specific target rates and ceilings. An inpatient variable cost-based reimbursement ceiling is established for each county. General hospitals are subject to the limitation, but statutorily defined teaching hospitals, specialty hospitals, and rural hospitals are exempt from the inpatient variable cost-based ceiling.

In 1993 a target rate system for hospital outpatient rates was established. The target ceiling is used to limit the growth in the cost-based county ceiling and facility specific rates between rate semesters. The target ceilings are adjusted each January and July based on the prior rate semester's county ceilings and facility specific rates multiplied by the allowable rate of increase.

Florida's hospitals have undergone major changes in reimbursement policies. Changes in federal Medicare reimbursement policies, limitations on disproportionate share hospital payments, and the trend toward increased managed care have increased the concerns of hospitals over lowered fees and revenues. Florida's high number of uninsured persons also increases hospitals' financial vulnerability.

Disproportionate Share Programs
In 1987, Congress enacted special provisions for hospitals serving a disproportionate share of low-income patients with special needs. Each state must provide special reimbursement to qualifying "disproportionate share" hospitals under certain conditions. Seven separate programs provide enhanced Medicaid reimbursement for certain classes of hospitals that serve Medicaid recipients and indigent clients.

Teaching Hospitals
Section 409.908 (44) defines the term "teaching hospital" to include any hospital with at least 100 residents and seven separate residency programs. The statute does not give any specific agency the authority to certify that a hospital meets this definition, nor does it state whether the 100 resident minimum refers to headcount or full-time-equivalent residents. Six hospitals meet this definition:

- Shands Hospital, Gainesville.
- Shands Hospital, Jacksonville.
- Tampa General Hospital.
- Jackson Memorial Hospital, Miami.
- Mt. Sinai Medical Center, Miami Beach.
- Orlando Regional Healthcare.

The principal benefit of being defined as a "teaching hospital" is the ability to receive funding from the Medicaid Disproportionate Share Program.

III. Effect of Proposed Changes:

Community Hospital Education Program
The Committee Substitute under consideration transfers the funding for the Community Hospital Education Program to the Agency for Health Care Administration, in an attempt to use it to generate a federal Medicaid match. The combined, increased funding will be allocated to hospitals with internship and residency programs as part of the Medicaid Program, with the requirement that these funds are intended to be used by recipient hospitals to support graduate medical education in primary care specialties.

Although this approach will allow for increased funding for hospitals, it will significantly change the role of the Community Hospital Education Program, which will no longer have funding to allocate directly to internship and residency programs on a per capita basis. Instead, CHEC will monitor the status of hospital internship and residency programs and certify quarterly to the AHCA that they are being maintained. Distribution of combined CHEP and federal Medicaid matching funds to eligible hospitals by AHCA will depend on this quarterly "maintenance of effort" certification by CHEC.

Graduate Medical Education Innovations Program
The CHEC will also administer a new Program for Graduate Medical Education Innovations, if the Legislature appropriates funding. This program is supposed to achieve workforce policy objectives, such as more physicians in under-served areas, more geriatricians, and more ethnic diversity among physicians.

Outpatient Hospital Services
The bill raises the rate authorized for hospital outpatient services per state fiscal year per person from $1,000 to $1,500.

Inpatient Hospital Services
The bill raises the rate for inpatient services per state fiscal year per recipient from $1,000 to $1,500.

It also provides exceptions for the limitations on reimbursement specific to the raising of rate reimbursement caps, the recognition of costs of graduate medical education, and other methodologies that are recognized in the General Appropriations Act. It authorizes AHCA to receive funds from state entities such as the Board of Regents, local governments, and other political subdivisions for the state share of special exception payments, including federal matching funds.

These funds must be separately accounted for and not commingled with other state and local funds used for these purposes. Counties are exempted from the mandatory contributions imposed under s. 409.915, F.S., for the cost of the special exception reimbursement for hospitals serving a disproportionate share of low-income patients and providing graduate medical education. It deletes a reference to the extraordinary disproportionate share program, which does not exist.

Teaching Hospitals
The bill clarifies the definition of "teaching hospital" for the purposes of the Medicaid program:
(a) The hospital must be in Florida.
(b) The seven residency programs must be accredited.
(c) The 100 resident physicians refers to full-time equivalents.
(d) The Director of AHCA has the authority to determine if a hospital meets this definition.

Graduate Medical Education Committee
The Committee Substitute will establish the interim Graduate Medical Education Committee in statute as a collaborative effort among the Governor's Office, the Board of Regents, the Department of Health, and the Agency for Health Care Administration. It will monitor and report on issues relating to the status of graduate medical education in Florida and its relationship to the state's manpower needs for physicians and health care. It will be funded by up to $75,000 from the funds appropriated for the Community Hospital Education Act.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Medicaid recipients will benefit from the increase in funds available for hospital services.

C. Government Sector Impact:

According to an analysis by the House of Representatives Health Care Services Committee, the increased outpatient cap will increase Medicaid costs by $17,361,227 annually. The change in rate caps for inpatient services will increase costs by $70,295,100. The authority for the General Appropriations Act to recognize other methodologies will depend on the Legislature.

The program for fostering graduate medical education innovations will be established only if funded by the Legislature.

VI. Technical Deficiencies:

The committee established in section 5. of the Committee Substitute is not assigned to an agency for administrative purposes.

VII. Related Issues:

The following provision occurs twice in the bill and appears to create two trust funds, which are supposed to be in separate bills: *Funds received from state entities or local governments for this purpose shall be separately accounted for and shall not be commingled with other state or local funds in any manner*.

VIII. Amendments:

None.