

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 2058

SPONSOR: Health, Aging, and Long-Term Care Committee and Senator Smith

SUBJECT: Reimbursement for Lung Transplant Services for Medicaid Recipients

DATE: March 9, 2004      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Parham</u>	<u>Wilson</u>	<u>HC</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>AHS</u>	_____
3.	_____	_____	<u>AP</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

This bill requires the Agency for Health Care Administration to reimburse qualified medical facilities that perform lung transplants for Medicaid recipients using a global reimbursement methodology, unless otherwise directed in the General Appropriations Act.

The bill amends s. 409.9062, Florida Statutes.

**II. Present Situation:**

**Lung Transplantation**

Lung transplantation is the treatment of choice for adults and children who will die from end-stage lung disease. The primary diagnoses for individuals with chronic lung disease receiving transplants nationally are cystic fibrosis, idiopathic pulmonary fibrosis, chronic obstructive pulmonary disease, and emphysema. Approximately 60 percent of transplants performed are single lung transplants and 40 percent are double lung transplants.

**The Medicaid Program**

Medicaid is jointly funded by the federal, state, and county governments to provide medical care to eligible individuals. Medicaid is the largest program providing medical and health-related services to the nation’s poorest citizens. Within broad national guidelines, which the federal government establishes, each of the states:

- Establishes its own eligibility standards;
- Determines the type, amount, duration, and scope of services;

- Sets the rate of payment for services; and
- Administers its own program.

The Agency for Health Care Administration (AHCA) is the single state agency responsible for the Florida Medicaid Program. The statutory provisions for the Medicaid program appear in ss. 409.901 through 409.9205, F.S.

Some services, such as nursing home care and home health care, are mandatory services that must be covered in any state that participates in the Medicaid program. Other services, such as personal care, are optional. A state may choose to include optional services in its state Medicaid plan, but such services must be offered to all individuals statewide who meet Medicaid eligibility criteria. Individuals who are elderly or disabled, whose incomes are at or below 88 percent of the Federal Poverty Level are an optional coverage group eligible for Medicaid under s. 409.904(1), F.S. Payments for services to individuals in the optional categories are subject to the availability of monies and any limitations established by the General Appropriations Act or chapter 216, F.S.

### **Transplant Services for Medicaid Recipients**

Medicaid reimburses for organ and bone marrow transplantation services provided by specialized transplant physicians in designated transplant centers. Determinations for medically accepted transplant procedures are established within the guidelines of the AHCA Organ Transplant Advisory Council, the Bone Marrow Transplant Advisory Panel, and Medicaid medical consultants.

Acceptance as a candidate for covered transplant services is determined by the designated transplant hospital, not by Medicaid. Pre-transplant and post-transplant care, including immunosuppressive medications, are reimbursed even if the transplant is not a Medicaid-covered transplant.

Medicaid reimbursement for transplant services has the following limitations:

- Recipients age 21 and older are eligible for kidney, cornea, liver, lung, heart, and bone marrow transplants when medically necessary and appropriate.
- Recipients under age 21 are eligible for transplants determined medically necessary and appropriate, including lung, heart/lung and those listed above for recipients age 21 and older.
- All out-of-state transplant referrals for organ and bone marrow transplants must be requested by a Medicaid designated transplant center. The prior authorization must be forwarded to the Medicaid office for review.
- Out-of-state evaluations and transplants are not covered if the services are available in the state of Florida.
- Physician services limitations apply.

Adult heart and liver transplants under Medicaid require prior authorization. Medicaid does not reimburse transplant procedures that are deemed investigational or those not yet proven clinically effective as determined by consultants within the AHCA Organ Transplant Advisory Council.

Medicaid does not reimburse for donor services for solid or bone marrow transplant procedures even if the donor is a Medicaid-eligible recipient. Medicaid reimburses for transplant services for all Medicaid recipients, except aliens who are eligible only for emergency services due to their alien status.

All Medicaid covered surgeries; including organ transplants, whether adult or pediatric are reimbursed utilizing the Resource-Based Relative Value Scale (RBRVS) payment methodology with the exception of adult heart and adult liver transplants. The RBRVS scale is a scale of national uniform relative values for all physicians' services. The relative value of each service must be the sum of relative value units representing physicians' work, practice expenses net of malpractice expenses, and the cost of professional liability insurance.

Medicaid transplant services are reimbursed using the normal Medicaid payment methodology (per-diem established for the facility based on their cost reports, and physician fee-for-service). Payment for transplantation services primarily involves reimbursement for physician services, hospital inpatient services, hospital outpatient services, and prescribed drugs. Under the Florida Medicaid program, coverage for adult inpatient hospital services is limited to 45 days per year and outpatient fees are limited to \$1,500 per fiscal year unless otherwise specified. This limitation is problematic for facilities which are performing organ transplants, since individuals in need of organ transplants are frequently in very poor health prior to the transplant and may exhaust their 45 days of coverage before the transplant episode is complete. According to AHCA, the result is a net loss to providers of approximately \$152,000 per adult Medicaid transplant recipient.

Increased fees for adult heart transplant services were provided in the FY 1997-1998 General Appropriations Act as approved by the Legislature after several discussions with representatives and facilities determined the prior methodology was inadequate. Increased fees for adult liver transplants were provided by the utilization of hospital upper payment limit (UPL) funds and approved by the Legislature beginning June 2003, after similar discussions and submittal of a legislative budget request.

Several states, including Texas, Wisconsin, and Florida (for adult heart transplants only), reimburse for transplants on a global payment basis, which covers the evaluation, transplant, and the follow-up care required. Under global reimbursement mechanisms, the transplant facility submits the request for the global payment, and then reimburses the other providers involved in the procedure, including physician services, from the global payment received.

### **Lung Transplants for Medicaid Recipients**

Since January 1, 2003, Florida Medicaid has provided coverage for lung transplants for beneficiaries of all ages. The legislation [SB 2048 (2003), Jennifer Knight Medicaid Lung Transplant Act] making adults eligible for lung transplants expanded the range of transplant coverage but did not increase the funding available for transplants. Lung transplant services are reimbursed to those facilities that are designated as lung transplant centers for Medicaid. Facility reimbursement for these services, regardless of recipient age, is established on a cost-based reimbursement methodology. Recipients, age 0-20 years, receive unlimited inpatient services and

unlimited outpatient services. Adult recipients, age 21 and over, are subject to the 45 inpatient day limitation and the \$1500.00 cap for outpatient services per state fiscal year.

Due to limited funding for lung transplant services for adults, the approved lung transplant facility in Florida is not currently accepting adult Medicaid recipients of age 21 and over. Recipients age 21 and over who need lung transplants are currently being referred to out-of-state facilities. There are currently approximately 140 adult and pediatric recipients listed for lung transplant services at the Florida approved facility. It is estimated that there are approximately 80 adult, and 20 pediatric lung transplant evaluations performed annually. Of these evaluations, approximately 30 adults, and 6 pediatric recipients will receive lung transplants.

### **III. Effect of Proposed Changes:**

**Section 1.** Amends s. 409.9062, F.S., requiring AHCA to reimburse approved lung transplant facilities a global fee for providing lung transplant services to Medicaid recipients.

**Section 2.** Provides that the bill shall take effect upon becoming law.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, s. 18 of the Florida Constitution.

#### **B. Public Records/Open Meetings Issues:**

The provisions of this bill have no impact on public records or open meetings under the requirements of Article I, s. 24(a) and (b) of the Florida Constitution.

#### **C. Trust Funds Restrictions:**

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, s. 19(f) of the Florida Constitution.

### **V. Economic Impact and Fiscal Note:**

#### **A. Tax/Fee Issues:**

None.

#### **B. Private Sector Impact:**

Florida's designated transplant facility maintains strict staffing levels within their institution based on known payment policies. An increased flow and qualification of lung transplant patients may require these institutions to increase staff in professional health care, transplant coordinators, allied assistants, social services, and financial coordinators. There is currently only one AHCA-designated lung transplant facility in the state of Florida.

This bill may affect employment markets for facility staffing. Increased reimbursement may encourage facilities to accept a higher volume of recipients needing lung transplant services, resulting in an inflow of patients. This increased patient load may require increased facility staff. Clinics, laboratories, and other health care providers who serve individuals with lung diseases and transplants may provide care to additional patients. Increased reimbursement may also encourage other statewide facilities to become approved Medicaid transplant centers therefore increasing recipient choice and access to lung transplant care throughout Florida.

An established global payment as afforded by this bill will increase the overall accessibility for recipients age 21 and over. As previously described, recipients age 21 and over are currently limited to 45 days inpatient, and \$1,500 outpatient limitations per fiscal year. Establishing a global payment amount will eliminate these limitations and provide a “lump sum” payment for these services. Increasing reimbursement will increase the overall access to care for adult recipients age 21 and over in need of lung transplant services within the state of Florida, and decrease the need for referring these recipients to out-of-state facilities for negotiated contract rates.

**C. Government Sector Impact:**

**Agency for Health Care Administration**

According to AHCA, the direct fiscal impact is variable from year to year due to the ever-changing number of recipients needing lung transplant services and the limited number of available organs.

It is estimated that 30 recipients age 21 and over will have access to lung transplants after implementation of the global payment. Using 85 percent of the Medicare DRG for facility reimbursement (\$132,000) as a basis for Medicaid lung transplants facility reimbursement, \$112,200. It is estimated that facility evaluations will be \$9,000. Physician services are estimated to be \$27,000 for the transplant and \$6,000 for the evaluation physical. This brings the total global payment to the lesser of actual charges, or \$154,000 per lung transplant. The second fiscal year has been increased by 5 percent for a global payment of \$161,910. The estimated fiscal impact of paying a global rate over current funding for lung transplants for adults is \$2,015,550 (\$828,391 General Revenue, and \$1,187,159 federal matching funds) in FY 2004-05. This estimate is based upon the number of lung transplants provided to recipients during the year 2003 at the Florida approved facility; the number of procedures, and therefore the fiscal impact, could increase based upon the revised payment methodology if the number of Medicaid-approved facilities increases in the state. The fiscal impact could also be less if Florida continues to have only one transplant center and not all recipients are Medicaid-eligible.

<b>Global Lung Transplants</b>	<b>Year 1</b>	<b>Year 2</b>
Medicare DRG	\$132,000	\$132,000
Medicaid (85% of Medicare)	\$112,200	\$117,810

Evaluation	\$6,000	\$6,300
Hospital-Evaluation	\$9,000	\$9,450
Physician	\$27,000	\$28,350
Hospital-Transplant	\$112,200	\$117,810
Total	\$154,200	\$161,910

	<b>FY 2004-2005</b>	<b>FY 2005-2006</b>
Physician Services	\$33,000	\$34,650
Hospital Inpatient Services	\$121,200	\$127,260
Total	\$154,200	\$161,910

Estimated Adult Lung Transplants		
Recipients	30	30
Hospital Inpatient	\$3,636,000	\$3,817,800
Physician Services	\$990,000	\$1,039,500
Total	\$4,626,000	\$4,857,300

Estimated Evaluations-No Transplant		
Recipients	50	50
Hospital Inpatient	\$450,000	\$472,500
Physician Services	\$300,000	\$315,000
Total	\$750,000	\$787,500

Total Estimated Cost	\$5,376,000	\$5,644,800
Current Funding in Base Budget	\$3,360,450	\$3,360,450
<b>Net Additional Funds Required</b>	<b>\$2,015,550</b>	<b>\$2,284,350</b>
<b>State</b>	<b>\$828,391</b>	<b>\$938,868</b>
<b>Federal</b>	<b>\$1,187,159</b>	<b>\$1,345,482</b>

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.