



## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

*Provide Limited Government* – According to the Agency for Health Care Administration (AHCA) implementation of this bill will require 1 new position.

*Ensure lower taxes* – This bill will require an increased appropriation from General Revenue of \$423,938 to the Medicaid lung transplant program in FY 05-06, increasing to \$610,058 in FY 06-07.

*Empower Families* – This bill establishes a global fee for providing lung transplant services to Medicaid recipients. This will reduce the pressure on patients to fundraise to assist in paying for services.

#### B. EFFECT OF PROPOSED CHANGES:

##### Present situation

Medicaid reimburses for the following transplant services to Medicaid recipients under certain conditions:

- Age 21 and over: Kidney, cornea, liver, lung, heart, and bone marrow.
- Under age 21: Kidney, cornea, liver, lung, heart, heart/lung, and bone marrow.

Most transplants, including lung transplants, are reimbursed using a cost-based reimbursement methodology. Recipients aged 0-20 years receive unlimited in-patient services and unlimited outpatient services. Adult recipients (age 21 and over) are subject to the 45 inpatient day limitation and the \$1,500.00 cap for outpatient services per state fiscal year. However, the 2004-05 General Appropriations Act requires AHCA to fund liver transplants for Medicaid recipients with a global fee. AHCA also reimburses for heart transplants on a global fee basis. This provides a set fee covering the evaluation, transplant, and follow-up care required. Under global reimbursement mechanisms, the transplant facility submits the request for the global payment then reimburses the other providers involved in the procedure, including physician services, from the global payment received.

Florida Medicaid has provided coverage for lung transplants for beneficiaries of all ages since 2003. According to Shands Hospital<sup>1</sup>, under the current reimbursement rate, the hospital incurs a significant net loss with every transplant performed.

##### Proposed changes

HB 453 amends s. 409.9062, F.S., to require the Agency for Health Care Administration (AHCA) to reimburse approved lung transplant facilities a global fee for providing lung transplant services. Based on AHCA estimates, total reimbursements to hospitals would rise to approximately \$121,200 per adult transplant recipient.

#### C. SECTION DIRECTORY:

Section 1 amends s. 409.9062, F.S., requiring the Agency for Health Care Administration (AHCA) to reimburse approved lung transplant facilities a global fee for providing lung transplant services to Medicaid recipients.

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<sup>1</sup> Shands Hospital states that it is the only hospital designated as a Medicaid provider for adult and pediatric lung transplantations. According to AHCA, a second center is in the process of completing the application process in order to receive Medicaid designation for lung transplants.

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

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

AHCA anticipates receiving recurring revenues due to the 59% federal match for Medicaid lung transplant services as follows:

	<u>FY 2005-06</u>	<u>FY 2006-07</u>
Medical Care Trust Fund	\$2,575,437	\$2,701,868

#### 2. Expenditures:

The approximate cost of paying a global fee for lung transplant services for an estimated 24 patients annually is \$4,285,800. The current funding allocation for the Medicaid lung transplant program is \$3,318,000. This bill would require additional funding of \$967,800 (\$369,798 in General Revenue, and \$571,002 in federal matching funds) in FY 05-06 and \$1,182,090 (\$484,697 in General Revenue, and \$697,433 in federal matching funds) in FY 06-07. The bill would also annually require an additional \$66,196 for 1 FTE to coordinate global fee payments for transplants.

	<u>FY 2005-06</u>	<u>FY 2006-07</u>
<b>One-time expenditures:</b>		
<u>Staffing</u>		
OCO	\$2,610	\$0
State (50%)	\$1,305	\$0
Federal (50%)	\$1,305	\$0

#### **Recurring expenditures:**

Expenditures:

<u>Staffing</u>		
Salary & benefits—1 FTE	\$54,867	\$54,867
Expenses	\$10,940	\$10,940
Human resources services	\$389	\$389
<u>Medicaid Services</u>		
Hospital Inpatient Services <sup>2</sup>	\$3,259,800	\$3,422,790
Physician Services <sup>3</sup>	<u>\$1,026,000</u>	<u>\$1,077,300</u>
<b>Total Recurring Expenditure</b>	<b>\$4,351,996</b>	<b>\$4,566,286</b>

<sup>2</sup> AHCA estimates this cost to be \$121,200 per transplant recipient, with an estimated 24 transplant recipients annually, and \$9,000 per patient evaluated but not transplanted, with an estimated 39 such patients annually.

<sup>3</sup> AHCA estimates this cost to be \$33,000 per transplant recipient, with an estimated 24 transplant recipients annually, and \$6,000 per patient evaluated but not transplanted, with an estimated 39 such patients annually.

	<u>FY 2005-06</u>	<u>FY 2006-07</u>
Current Funding:		
<u>Medicaid Services</u>		
Total	\$3,318,000	\$3,318,000
State (41%)	\$1,360,380	\$1,360,380
Federal (59%)	\$1,957,620	\$1,957,620

Total Net Additional Appropriation:

<u>Staffing</u>		
Total	\$66,196	\$66,196
State (25% salaries, benefits, travel; 50% other expenditures)	\$19,381	\$19,381
Federal (75% salaries, benefits, travel; 50% other expenditures)	\$46,815	\$46,815
<u>Medicaid Services</u>		
Total	\$967,800	\$1,182,090
State (41%)	\$396,798	\$484,697
Federal (59%)	\$571,002	\$697,433

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

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 disease 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.

D. FISCAL COMMENTS:

None.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or take an action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

#### **IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES**

None.