

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.)

Prepared By: Health and Human Services Appropriations Committee

BILL: CS/SB 546

SPONSOR: Health and Human Services Appropriations Committee and Senator Smith

SUBJECT: Reimbursement for Lung Transplant Services for Medicaid Recipients

DATE: April 26, 2005

REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|---------------|----------------|-----------|------------------|
| 1. | <u>Garner</u> | <u>Wilson</u> | <u>HE</u> | <u>Favorable</u> |
| 2. | <u>Dull</u> | <u>Peters</u> | <u>HA</u> | <u>Fav/CS</u> |
| 3. | _____ | _____ | _____ | _____ |
| 4. | _____ | _____ | _____ | _____ |
| 5. | _____ | _____ | _____ | _____ |
| 6. | _____ | _____ | _____ | _____ |

I. Summary:

This bill requires the Agency for Health Care Administration to use a global fee to reimburse qualified medical facilities that perform lung transplants for Medicaid recipients. The bill provides an appropriation to the Agency for Health Care Administration.

This bill amends s. 409.9062, Florida Statutes.

II. Present Situation:

Lung Transplantation

Lung transplantation was first performed in 1963; however, few of the original patients who underwent the procedure survived beyond the 12-month postoperative milestone. Advances in immunosuppressive agents and newer surgical techniques have prolonged survival rates beyond 1 year for most patients (75-90 percent) and beyond 2 years for many (>50 percent).

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 of a patient 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 (for persons under the age of 21, there are no limits on inpatient days or reimbursement caps for outpatient services). This limitation is problematic for facilities where organ transplants are performed, 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 advocates for changing the reimbursement system, the result is a net loss to hospital providers of approximately \$133,000 per adult Medicaid transplant recipient with no complications.

Increased fees for adult heart transplant services were provided in the FY 1997-1998 General Appropriations Act as approved by the Legislature after discussions with heart transplant 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.

Florida reimburses for liver and heart 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. Currently, Shands Hospital in Gainesville, Florida, is the only hospital designated as a Medicaid provider for adult and pediatric lung transplantations (two other teaching hospitals in Florida provide lung transplants for non-Medicaid patients). A second center is in the process of completing the application process in order to receive Medicaid designation. The addition of another designated center in Florida to perform lung transplant services will increase utilization and provide better accessibility to recipients in Florida needing these services.

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 \$1,500 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.

With a change to a global reimbursement methodology for lung transplantation, it is estimated that 30 adult Medicaid patients would be evaluated annually, 16 would be listed for transplantation, and 8 would receive a lung transplant. Currently, 8 pediatric Medicaid patients are evaluated, 6 are listed for transplant, and 4 are eligible for a lung transplant. If the second facility is designated as a Medicaid-eligible transplant center, total adult evaluations are estimated at 50 with 16 transplants, and total pediatric evaluations should be 13 with six transplants.

III. Effect of Proposed Changes:

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

Section 2. Appropriates \$401,098 from the General Revenue Fund and \$593,058 from the Medical Care Trust Fund to the Agency for Health Care Administration for the purpose of implementing the act.

Section 3. 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, Section 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 issues under the requirements of Art. 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, Subsection 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 the 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 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, reimbursements for recipients age 21 and over are currently limited to 45 inpatient days, and an outpatient limitation of \$1,500 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

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. Establishing a global payment method for all lung transplants will have a two-fold effect.

A global payment may decrease overall reimbursement for recipients age 0-20 depending on recipient length of stay. As previously described, recipients age 0-20 currently receive unlimited inpatient and outpatient services. Establishing a set global payment amount will provide a “lump sum” payment for lung transplant services. This “proposed global” payment may well be less than the reimbursement afforded to the facilities under the usual cost-based reimbursement method currently established, due to the unlimited inpatient and outpatient services for recipients age 0-20.

An established global payment as afforded by this proposal may 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 “lump sum” payment for these services. Increasing reimbursement will enhance 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.

It is estimated that 63 pediatric and adult recipients will have access to global reimbursement for lung transplant evaluation services after implementation of the bill. Of these 63 recipients, an estimated 24 will go on to be transplanted. Using 85% of the Medicare DRG for facility reimbursement (\$132,000) as a basis for Medicaid lung transplants facility reimbursement, a calculated amount of \$112,200 is established. Organ acquisition costs are frequently cited as reason for significant financial loss to facilities. Because organ procurement costs vary, a median cost of \$38,000 was established by averaging the high and low costs of procurement and added to the facility reimbursement for the transplant surgery phase. This results in a facility transplant reimbursement of \$150,200. 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 \$192,200 per recipient following all the way through lung transplant. For the second fiscal year, it can be expected that recipient utilization may be increased by approximately 5%. The estimated fiscal impact of paying a global rate for lung transplants for adults is \$4,285,800 (\$1,761,892 General Revenue, and \$2,523,908 federal matching funds). Currently, there is a total of \$3,360,450 in total funding for lung transplants in base budget.

The processing of global payments begins with all services being prior authorized. This process involves compiling medical data pertinent to each recipient from four transplant facilities statewide and creating a permanent medical file. This information is reviewed by the staff RN consultant for completeness and then forwarded to the Medicaid medical consultant for approval or denial. This process occurs for each evaluation phase and transplant phase separately. All recipients' claims are placed on a review status and manually priced for a 2-year period post transplant.

Upon implementation, Medicaid Services will require the addition of 1-Career Service FTE Registered Nurse Consultant to implement and manage the program. Currently there is 1-Career Service FTE Registered Nurse Consultant performing the duties of the transplant program and the global payment process. The transplant program, over the last four years, has grown from approximately 40 recipients, to well over 300 recipients receiving global funding services. This tremendous increase is directly related to the global funding methodology implemented for adult heart transplants in 1997, and adult liver transplants in 2003. The implementation of global funding for an additional organ will require additional staff to ensure proper processing, payment, and tracking of all services needed for these transplant recipients. The staff member must act as the medical coordinator, financial coordinator, and claims payment coordinator for all recipients receiving services paid by a global funding methodology. The additional staff member will be trained to perform all the above duties and will work as an equal team member with current staff.

SUMMARY OF FISCAL IMPACT

| | FY 2005-06 | FY 2006-07 |
|---|-------------------|-------------------|
| <u>Transplant Service Expenditures</u> | | |
| Hospital Inpatient and Physician Services | | |
| <i>General Revenue - Recurring</i> | \$1,761,892 | \$1,849,987 |
| <i>Trust Funds - Recurring</i> | \$2,523,908 | \$2,650,103 |
| Sub-Total | \$4,285,800 | \$4,500,090 |
| Less Current Base Funding | | |
| <i>General Revenue - Recurring</i> | \$1,381,481 | \$1,381,481 |
| <i>Trust Funds - Recurring</i> | \$1,978,969 | \$1,978,969 |
| Sub-Total | \$3,360,450 | \$3,360,450 |
| Total Transplant Service Expenditures | | |
| <i>General Revenue - Recurring</i> | \$380,411 | \$468,506 |
| <i>Trust Funds - Recurring</i> | \$544,939 | \$671,134 |
| Sub-Total | \$925,350 | \$1,139,640 |

SUMMARY OF FISCAL IMPACT

| | FY 2005-06 | FY 2006-07 |
|--|-------------------|-------------------|
| <u>Transplant Administrative Expenditures</u> | | |
| Salaries/Benefits/Expense | | |
| 1 FTE - RN Consultant | | |
| <i>General Revenue - Recurring</i> | \$13,717 | \$13,717 |
| <i>Trust Funds - Recurring</i> | \$41,150 | \$41,150 |
| Sub-Total | \$54,867 | \$54,867 |
| Expense | | |
| <i>General Revenue - Recurring</i> | \$6,970 | \$6,970 |
| <i>Trust Funds - Recurring</i> | \$6,970 | \$6,970 |
| Sub-Total | \$13,939 | \$13,939 |
| Total Transplant Administrative Expenditures | | |
| <i>General Revenue - Recurring</i> | \$20,686 | \$20,686 |
| <i>Trust Funds - Recurring</i> | \$48,120 | \$48,120 |
| Sub-Total | \$68,806 | \$68,806 |
| <u>Total Net Expenditures</u> | | |
| <i>General Revenue - Recurring</i> | \$401,098 | \$489,192 |
| <i>Trust Funds - Recurring</i> | \$593,058 | \$719,254 |
| Grand-Total | \$994,156 | \$1,208,446 |

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

VIII. Summary of Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
