The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Health Regulation Committee

BILL:	SB 1646
INTRODUCER:	Senator Flores
SUBJECT:	Medicaid Hospital Rates
DATE:	February 15, 2012
REVISED:	

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wilson	Stovall	HR	**Pre-meeting**
2.			BC	
3.				
4.				
5.				
6.				

I. Summary:

The bill changes dates relating to the establishment of Medicaid reimbursement rates for hospital inpatient services. The date after which adjustments may not be made to the rates is changed from September 30 to October 31 of the state fiscal year in which the rates take effect. Also, errors in cost reporting or calculation of rates discovered after October 31, rather than September 30, must be reconciled in a subsequent rate period.

This bill substantially amends section 409.905 of the Florida Statutes.

II. Present Situation:

Medicaid

Medicaid is the medical assistance program that provides access to health care for low-income families and individuals. Medicaid also assists aged and disabled people with the costs of nursing facility care and other medical expenses. The Agency for Health Care Administration (AHCA) is responsible for administering the Medicaid program. Medicaid serves approximately 3.19 million people in Florida. Estimated Medicaid expenditures for FY 2011-2012 are approximately $20.3 billion.

Medicaid reimburses health care providers that have a provider agreement with the AHCA only for goods and services that are covered by the Medicaid program and only for individuals who are eligible for medical assistance from Medicaid. Section 409.905, F.S., identifies those services for which the Medicaid program is required to make payments. Under subsection 409.905(5), F.S., the AHCA must pay for all covered services provided for the medical care and treatment of

a recipient who is admitted as an inpatient by a licensed physician or dentist to a hospital licensed under part I of chapter 395, F.S.

Medicaid Hospital Reimbursement Rates

The law currently requires the AHCA to establish base reimbursement rates for each hospital based on allowable costs. Rates are calculated annually and take effect July 1 of each year based on the most recent complete and accurate cost report submitted by each hospital. Adjustments may not be made to the rates after September 30 of the state fiscal year in which the rates take effect. Errors in cost reporting or calculation of rates discovered after September 30 must be reconciled in a subsequent rate period.

The September 30 final hospital rates are used in the Medicaid capitation rate setting process for health plans (health maintenance organizations and provider service networks). Their rates are effective September 1.

In 2011, the Legislature enacted a requirement for the AHCA to develop a plan to convert inpatient hospital rates to a prospective payment system that categorizes each case into diagnosis-related groups (DRG) and assigns a payment weight based on the average resources used to treat Medicaid patients in that DRG.[1] The AHCA must submit the Medicaid DRG plan, identifying all steps necessary for the transition and any costs associated with plan implementation to the Governor, the President of the Senate, and the Speaker of the House of Representatives no later than January 1, 2013.

Intergovernmental Transfers

Intergovernmental transfers are the transfer of public funds from different levels of government or governmental entities/taxing districts to the state government. These transfers are commonly referred to as IGTs. The use of IGTs is a common mechanism for states to fund the non-federal share of certain Medicaid payments. Once used as part of the state share of Medicaid funding, the transferred funds are matched with federal Medicaid dollars and then paid to qualifying Medicaid providers.[2]

Currently, IGTs are primarily used in hospital fee-for-service rates for the purpose of funding the exempt portion and authorized buybacks of inpatient and outpatient hospital rates. The General Appropriations Act (GAA) each year authorizes specifically qualifying hospitals to be exempt from specific limitations within the rate setting process. To be exempt from the limitations, hospitals must meet specific thresholds such as Medicaid and charity care volume benchmarks provided in the GAA. In addition, beginning July 2008, the Legislature authorized the use of IGTs to fund buybacks. Buybacks are the process of receiving local government funded match to fund the state portion of specific rate reductions that had been adopted to reduce the hospital rates.[3]

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[1] *See* s. 9 of ch. 2011-135, L.O.F.
[2] *Florida Medicaid Intergovernmental Transfer Technical Advisory Panel Report*, Agency for Health Care Administration, January 2011, page10. Found at: <http://ahca.myflorida.com/Medicaid/igt/docs/Final%20_IGT_TAP_Report_010611.pdf> (Last visited on February 15, 2012).
[3] *Id.*, page 2.

III. Effect of Proposed Changes:

The bill amends s. 409.905(5), F.S., relating to Medicaid hospital inpatient services, to prohibit adjustments to hospital reimbursement rates after October 31, rather than September 30, of the state fiscal year in which the rates take effect. Also, errors in cost reporting or calculation of rates discovered after October 31, rather than September 30, must be reconciled in a subsequent rate period. The effective date of the bill is July 1, 2012.

The effect of this date change is that health maintenance organization and provider service network rates will not become final for plan payment until possibly December or January. Health plans will have to be paid the previous rates from the beginning of their contract year in September to the month in which the rates are deemed final. Once final, the new rates would be paid retroactive back to September.[4]

Proponents of the change in the date for adjustments to hospital reimbursement rates point out that the September 30 date coincides with the beginning of local governments' fiscal year (October 1- September 30) and creates significant difficulty in the management of IGTs. Moving the date to October 31 will allow the local government fiscal year to begin and 30 days to arrange for transfer of IGTs to the state.

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 the bill have no impact on public records or open meetings issues under the requirements of Article I, Section 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. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

[4] *See* Agency for Health Care Administration 2012 Bill Analysis and Economic Impact Statement for SB 1646 – on file with the Senate Health Regulation Committee.

C. Government Sector Impact:

There is no fiscal impact on the Medicaid program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.