

SB06-145 Bill Analysis

For the Health District of Northern Larimer County Board of Directors

March 28, 2006

Bill Title: Concerning the Authority of a Local Government to Impose a Fee on Certain Medical Providers for Purposes of Obtaining Federal Financial Participation Under Medicaid for Unreimbursed Medicaid Costs “Healthy Cities”

Summary: Authorizes a local government to charge a fee on certain medical providers for the purposes of obtaining federal financial participation under the state’s Medicaid program to reimburse providers for unreimbursed Medicaid costs.

Sponsors: Senate – Shaffer/House - McCluskey and Butcher

Committees: Senate – Local Government/ House - Health and Human Services

History: 01/30/2006 Introduced In Senate - Assigned to Local Government
02/14/2006 Senate Committee on Local Government Pass Amended to Senate Committee of the Whole
02/17/2006 Senate Second Reading Passed with Amendments
02/20/2006 Introduced In House - Assigned to Health and Human Services
02/20/2006 Senate Third Reading Passed
03/13/2006 House Committee on Health and Human Services Pass Amended to House Committee of the Whole
03/17/2006 House Second Reading Special Order - Passed with Amendments
03/17/2006 House Third Reading Passed
03/24/2006 Senate Considered House Amendments - Laid Over Daily

Date of Analysis: March 9, 2006

Prepared by: Carrie Cortiglio

Background

The bill allows non-governmental hospitals and home health care agencies to obtain additional reimbursement for Medicaid expenses. The bill was drafted by Don Vancil who is a former Health Care Policy and Finance (HCPF) employee and is now a private consultant on Medicaid financing. While he worked at HCPF he set up the same refinancing structure for governmental hospitals. He is not working as a paid consultant on this bill. According to Don, many other states have set up the same type of refinancing plan for providers but do so on a statewide basis rather than by local governments. The decision to conduct the refinancing plan by local governments was made so that there was flexibility to deal with cases in which there were several eligible agencies or hospitals within a local jurisdiction and one or more agencies or hospitals might lose money under a refinancing plan. Local governments will have greater flexibility to construct the fee assessment in such a way that all agencies or hospitals benefit.

How the bill works

A local government (city, town, county or city and county) would assess a fee on a non-governmental provider. The local government would obtain a federal Medicaid match and the provider would receive back the fee and the federal Medicaid match resulting in a net gain. For example, the local government would assess a fee on the provider of 50 cents, Medicaid would obtain a federal match of 50 cents, the provider would receive a dollar resulting in a net gain to the provider of 50 cents. The fee will be a percentage of a provider’s gross or net revenue in an amount not to exceed 6% of gross or net revenue.

Other provisions of the bill

- In any year, local governments can make a decision not to assess the fee on providers.
- The bill directs HCPF to amend the state plan for the purpose of the bill effective July 1, 2006.

Points to note:

- The bill requires a Medicaid state plan amendment. This means there is a lengthy process of submission to Center for Medicaid and Medicare Services (CMS) in order to receive approval for the amendment. The process could be very lengthy with the ultimate result being that CMS does not give approval. Mr. Vancil has already received informal permission from CMS to go ahead with the bill so perhaps that bodes well for the success of the

amendment. According to an analysis by the Center on Budget and Policy Priorities, the Bush Administration's budget proposal includes a number of regulatory changes that would have the effect of shifting Medicaid costs to the states. Specifically, there is a proposal that will limit the amount that local governments could assess providers to 3% of gross revenues down from the current 6%.

Why is this issue important?

Providers do not receive a reimbursement from Medicaid that covers their cost of treatment. The influx of additional federal money would raise the level of reimbursement for Medicaid providers.

McKee Medical Center in Loveland reported unreimbursed Medicaid costs in the amount of \$2.1 million according to the 2003 Colorado Hospital Association Annual Report. If the provisions of the bill were in place, McKee could obtain additional Medicaid reimbursement in the amount of \$1.07 million. (Note – the actual amount of Medicaid unreimbursed costs would be determined by HCPF, most likely by using the most recent Medicaid Cost Report and inflating the numbers to current year. The final numbers may be higher or lower than the amount reported to the Colorado Hospital Association).

Reasons to support bill:

- The bill has the potential to bring a substantial increase in Medicaid revenue to non-government owned or operated hospitals and home health care agencies at no or little cost to the state or local government entities.
- The bill does not compel any local government to set up the refinancing mechanism, it provides enabling language for communities for whom such a mechanism would benefit providers.
- The bill provides flexibility to local governments to set up the fee structure so that all providers would end up with a net gain in revenue. Specifically, the bill allows various cost and revenue categories to be exempted from the calculation of the fee and would give local governments the option to determine how the fee would be calculated.
- The assessment proposal does not have to go to voters if a local government has room under the TABOR cap or if they have de-TABORed. The issue would have to go to voters if there is no room under the TABOR cap. Presently, Larimer County, Fort Collins and Loveland have de-TABORed.

Groups that support the bill:

Colorado Consumer Health Initiative
Home Care Association of Colorado
Colorado Hospital Association

Reasons to oppose bill:

- In some cities or counties, there may be more than one non-governmental hospital. In those cases, one of the providers might not recoup enough money to make the assessment worthwhile. However, the bill will likely include an amendment that would allow local government to make a decision not to assess the fee. The decision would be made on a yearly basis.
- There is no mechanism to recoup local administrative costs. However, there is the possibility that local governments can apply to the state to receive Medicaid reimbursement for administrative expenses. However, it is unlikely that the provisions of the bill would result in substantial costs for local governments.

Groups that oppose the bill:

There was no testimony in opposition to the bill.

About this Analysis

This analysis was prepared by Health District of Northern Larimer County staff to assist the Health District Board of Directors in determining whether to take an official stand on various health-related issues. Analyses are based on bills or issues at the time of their consideration by the Board and are accurate to the best of staff knowledge. It is suggested that people check to see that a bill has not changed during the course of a legislative session by visiting the Colorado General Assembly web page at www.state.co.us/gov_dir/stateleg.html. To see whether the Health District Board of Directors took a position on this or other policy issues, please visit www.healthdistrict.org/policy.

About the Health District

The Health District is a special district of the northern two-thirds of Larimer County, Colorado, supported by local property tax dollars and governed by a publicly elected five-member board. The Health District provides medical, mental health, dental, preventive and health planning services to the communities it serves. For more information about this analysis or the Health District, please contact Carrie Cortiglio, Policy Coordinator, at (970) 224-5209, or e-mail at ccortiglio@healthdistrict.org