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BILL ANALYSIS

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Senate Bill 589 (S-1 as reported)
Sponsor: Senator Bob Emerson
Committee: Appropriations

CONTENT

The bill would amend the section of the Public Health Code that established the Medicaid Quality Assurance Assessment Program (QAAP) fees applicable to non-governmentally owned nursing homes and hospital long-term care units, as well as, hospitals. Relative to nursing homes and hospital long-term care units, the bill would do the following:

-- Limit the aggregate amount of QAAP fees collected so as not to exceed 6% of the total industry revenues, which is the maximum allowed under federal law.
-- Require that the QAAP fees and related federal matching funds be used to finance Medicaid nursing home payments.
-- Specifies that $18.9 million of the QAAP fee will be used to fund Medicaid long-term care expenditures and will offset the same amount of GF/GP previously used for that purpose.
-- Change the effective date of implementation to May 10, 2002. This may allow for retroactive federal payments to that date.

In regard to hospitals, the bill would do the following:

-- Specifies that $18.9 million of the QAAP fee will be used to fund Medicaid hospital services expenditures and will offset the same amount of GF/GP previously used for that purpose.
-- Change the effective date of implementation for the hospital QAAP to October 1, 2002, again to allow for the possibility of retroactive payments.

MCL 333.20161 et al.

FISCAL IMPACT

This bill has been introduced to enable certain cost saving items that are contained in the proposed FY 2003-04 Department of Community Health (DCH) budget. These savings would be generated by the State retaining some amount of these fees to offset an equal amount of GF/GP revenue that would otherwise be needed in the DCH budget. The amount of QAAP fees retained by the State are proposed at $18.9 million each for nursing homes and hospitals.

Even with the State retaining that amount of fees, the limited data available to the SFA would indicate that the average net payment increase for both industries is around 14%, though because the modeling data is not complete the final net increase may be marginally different. It should be remembered, though, that facilities with either no or very little Medicaid volume will sustain a net loss, i.e., the fees they pay will be in excess of the rate increase they receive. On the other hand, facilities with heavy Medicaid volume should have net increases in payments above the "average" net increase. For facilities somewhere in between those extremes, the net increase will probably be much smaller, but they should experience an increase in rates nonetheless.

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