Legislative Analysis

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QUALITY ASSURANCE ASSESSMENT FEE FOR SPECIALTY PREPAID HEALTH PLANS

Senate Bills: 446 and 447
Sponsors: Senators Jacobs and Emerson
Analysis: 7-18-05

SUMMARY:

Public Act 83 of 2005 (Enacted Senate Bill 446) amends Section 224b of the Insurance Code by requiring the Department of Community Health (DCH) to assess a quality assurance assessment fee on each Medicaid managed care organization that is a specialty prepaid health plan under Section 109f of the Social Welfare Act and has a managed care contract awarded by the state and administered by the DCH. The quality assurance assessment fee would equal 6% of the non-Medicare capitation payments collected by each Medicaid managed care organization. The fee assessed would also be based on the Medicaid managed care organization's most recent financial status report filed with the DCH and payable on a quarterly basis.

The proposed bill clarifies that the quality assurance assessment fee for health maintenance organizations was implemented on May 10, 2002. Moreover, the bill specifies that the quality assurance assessment fee for Medicaid managed care organizations shall be implemented on August 1, 2005.

If the DCH is unable to comply with the federal requirements for federal matching funds for the Medicaid managed care organization or is unable to use the Centers for Medicare and Medicaid Services approved Fiscal Year 2004-05 level of support for federal matching funds other than for a change in covered benefits or covered population, the bill provides that the quality assurance assessment fee could no longer be assessed or collected.

Under the proposed bill, a designated Medicaid Managed Care Organization Quality Assurance Assessment Fund would be established as a separate fund within the State Treasury. The DCH would be required to deposit the revenue raised through the quality assurance assessment fee for Medicaid managed care organizations with the State Treasurer in the assessment fund.

For health maintenance organizations, the bill clarifies that Medicaid reimbursement rates are prohibited from being reduced below the payment rates in effect on April 1, 2002 as a direct result of the assessed quality assurance assessment fee. For Medicaid managed care organizations, Medicaid reimbursement rates would be prohibited from being reduced below the payment rates in effect on July 1, 2005 as a direct result of the assessed quality assurance assessment fee.

Provisions in the Insurance Code related to the Fiscal Year 2002-03 appropriated amounts for the DCH due to the Medicaid quality assurance assessment fee on Health

Plan Services would be eliminated. In addition, the proposed bill updates the definitions for Medicaid and Medicare.

Public Act 84 of 2005 (Enacted Senate Bill 447) amends Section 109f of the Social Welfare Act by specifying that specialty prepaid health plans are to be considered as Medicaid managed care organizations as described in Section 1903(m)(1)(a) of Title 19 of the Social Security Act. The Medicaid managed care organizations would be responsible for providing defined inpatient services, outpatient hospital services, physician services, other specified Medicaid state plan services, and additional services approved by the Centers for Medicare and Medicaid Services. The bill also provides that specialty prepaid health plans as Medicaid managed care organizations would be subject to the 6% quality assurance assessment fee described in Section 224b of the Insurance Code.

FISCAL IMPACT:

As provided for in Public Act 11 of 2005 (Enacted House Bill 4308), a 6% quality assurance assessment fee for specialty prepaid health plans, effective August 1, 2005, allows the state to realize $14.4 million in restricted revenue in Fiscal Year 2004-05. This supplemental act, in conjunction with implementation of Senate Bills 446 and 447, provides that $6.2 million of this revenue is used as leverage for $8.2 million in federal Medicaid revenue resulting in a capitation payment rate increase of $14.4 million to specialty prepaid health plans. $6.0 million in state restricted revenue is used to offset Executive Order 2005-7 reductions for Medicaid Mental Health and Substance Abuse Services.

As proposed for in the Executive Budget Recommendation for the DCH for Fiscal Year 2005-06, House Bill 4831 (Article III) as acted upon by the House on June 9, 2005, and Senate Bill 267 as acted upon by the Senate on June 14, 2005, a 6% quality assurance assessment fee for specialty prepaid health plans would allow the state to realize $88.7 million in restricted revenue. $53.7 million of this revenue is used as leverage to draw down an additional $70.1 million in federal Medicaid revenue resulting in a 2.4% capitation rate increase ($123.8 million) to specialty prepaid health plans. The remaining $35.0 million in state restricted revenue is used to replace GF/GP support for Medicaid Mental Health and Substance Abuse Services.

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