

Legislative Analysis



DCH REPORT ON DIFFERENCE BETWEEN MEDICAID AND MEDICARE REIMBURSEMENTS

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House Bill 5040 (Substitute H-2)

Sponsor: Rep. Kevin Green

Committee: Family and Children Services

First Analysis (11-3-05)

BRIEF SUMMARY: The bill would require the Department of Community Health to submit an annual report to the Legislature showing the differences over the previous 12 months between Medicare reimbursement rates and Medicaid reimbursement rates for certain similar services. The first report would be due January 1, 2007.

FISCAL IMPACT: House Bill 5040 would have no fiscal impact on either the State or local units of government.

THE APPARENT PROBLEM:

The largest federal health care programs are Medicare and Medicaid. Medicaid is the joint federal and state program that helps with medical costs for people with low incomes and limited resources. Medicaid is administered in Michigan by the Department of Community Health. Medicare is the federal health insurance program for people 65 years of age or older, certain younger people with disabilities, and people with End-Stage Renal Disease. While these two programs cover different populations they do provide some of the same medical and hospital services. According to the Partnership for Michigan's Health (made up of the Michigan Health and Hospital Association, the Michigan State Medical Society, and the Michigan Osteopathic Association),

Since the inception of the Medicaid program in 1966, Michigan hospitals and physicians have embraced and supported it; in 2005, all Michigan hospitals and most Michigan physicians participated in Medicaid. However, the ability of physicians and hospitals to continue their support has been eroded, partly as a result of inadequate payment rates, which are at historically low levels when compared with standard benchmarks, such as Medicare.

The Partnership asserts that inadequate Medicaid reimbursements are jeopardizing the state's health care delivery system, particularly in areas with many Medicaid recipients; are leading in the most extreme cases to the failure of institutions and agencies; and are producing cost-shifting from public to private payors. The Partnership has said, *"To ensure the long-term stability of the Medicaid program, Medicaid payment rates must be tied to a widely accepted benchmark, such as the Medicare program, which is considered reflective of the adequate levels of payment within a public program."*

Legislation has been proposed that would require an annual report on the difference between reimbursement rates of the Medicaid and Medicare programs for similar services as an educational tool for state lawmakers to use in the budget process.

THE CONTENT OF THE BILL:

The bill would amend the Social Welfare Act to require, beginning January 1, 2007, the Department of Community Health to submit a report to the Legislature specifying the differences in the preceding 12-month period between Medicare reimbursement rates and Medicaid reimbursement rates for similar services in the areas of obstetrical care, nursing home services, physician services, emergency medical services, hospital services, physician services, and pharmaceutical services, to the extent the information is readily available to DCH.

MCL 400.109I

ARGUMENTS:

For:

Supporters say that having a mechanism in place to reveal annually the differences between the provider reimbursement rates of Medicaid and Medicare will be a useful educational tool in the budget process and perhaps in stabilizing health care costs overall. According to some estimates, seven percent of the cost of every private insurance policy goes to cover the disparity in reimbursements; more effective provider reimbursements will reduce cost-shifting to the private sector and ensure that recipients gain access to more cost-effective services.

The bill recognizes that the comparison is not an easy, straightforward task. The substitute version delays the first report until 2007; provides a restricted list of services that will be subject to a comparison; and makes the comparisons contingent upon the information being "readily available" to the Department of Community Health.

POSITIONS:

The Department of Community Health is neutral on the bill, but prefers the substitute version to the bill as introduced. (11-1-05)

The Partnership for Michigan's Health (the Michigan Health and Hospital Association, the Michigan State Medical Society, and the Michigan Osteopathic Association) supports the bill. (10-26-05)

The Michigan Association of Health Plans indicated support for the bill. (11-1-05)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.