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BILL



ANALYSIS

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Senate Bill 796 (as enacted)
Sponsor: Senator Roger Kahn, M.D.
Senate Committee: Appropriations
House Committee: Appropriations

PUBLIC ACT 88 of 2007

Date Completed: 8-12-08

CONTENT

Quality Assurance Assessment Programs (QAAPs) were implemented several years ago for Medicaid managed care programs. There are two separate QAAPs for Medicaid health maintenance organizations (HMOs) and Medicaid prepaid inpatient health plans (PIHPs). The Medicaid HMOs receive reimbursement from the State and in turn cover the costs of physical health services for most Medicaid-eligible individuals in the State. The PIHPs, which are individual Community Mental Health (CMH) entities or alliances of multiple CMHs, provide mental health services for all Medicaid clients. The HMO and PIHP QAAPs are a way to increase net funding for providers while producing General Fund/General Purpose (GF/GP) savings for the State.

A Quality Assurance Assessment is a tax upon an entire provider group. This revenue accrues to the State and supplants General Fund dollars, thus producing GF/GP savings. In turn, the State uses most of the GF/GP savings to increase Medicaid rates paid to that provider group. When combined with Federal Medicaid matching funds, the total increase in Medicaid rates exceeds the tax that was paid, leading to a net gain for that provider group as a whole.

Due to the way the Federal law governing provider taxes is written, the managed care QAAPs may be limited to just Medicaid managed care organizations. This means that each Medicaid HMO and PIHP receives more from the increased Medicaid payment rates than it pays in provider taxes; thus, each Medicaid HMO and PIHP is a net winner from the QAAPs.

Certain Federal restrictions apply to QAAPs. The tax must be broad-based, covering an entire provider group. The tax rate cannot exceed 5.5%.

Senate Bill 796 amended the Insurance Code to delay the sunset date on the HMO and PIHP QAAPs from October 1, 2007, to October 1, 2008.

MCL 500.224b

FISCAL IMPACT

Implementation of the bill extended the HMO and PIHP QAAPs through the end of FY 2007-08. This extension was assumed in the FY 2007-08 Department of Community Health budget.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.