

HEALTHY MICHIGAN PLAN – HOSPITAL QAAP RETENTION AMOUNT

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Senate Bill 1015 proposed House substitute (H-1)
Sponsor: Sen. Dave Hildenbrand
House Committee: Appropriations
Senate Committee: Appropriations
Complete to 5-29-18

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 245 of 2018)

SUMMARY:

Beginning in FY 2017-18, Senate Bill 1015 would amend the Public Health Code to increase the Healthy Michigan Plan hospital quality assurance assessment program (QAAP) retention amount from \$105.0 million to \$118.4 million.

MCL 333.20161

BACKGROUND:

QAAPs are assessments on health provider classes and are used for two primary purposes:

- 1) As state match for supplemental Medicaid payments to that health provider class. In general, supplemental Medicaid payments are the difference between the federal Medicare reimbursement rates and the state's Medicaid reimbursement rates. If for example, the state Medicaid reimbursement rates are 50% of the federal Medicare reimbursement rates, then the QAAP-funded supplemental Medicaid payment would pay for the other 50%.
- 2) To offset GF/GP expenditures through a state retention amount. The GF/GP retention amount for traditional Medicaid is calculated through a statutory formula—13.2% of the federal funds generated by the QAAP. For the Healthy Michigan Plan with its higher federal funds match rate, the 13.2% GF/GP retention amount does not work formulaically, so instead a specific dollar amount is established in statute. Currently for FY 2016-17, and each year thereafter, that amount is set at \$105.0 million.

Recent federal Medicaid managed care rules require states to phase out hospital “pass through” payments that are part of Medicaid managed care per-member-per-month capitated rates. The largest hospital “pass through” payment that is a part of the state's Medicaid managed care capitated rates is the QAAP-funded Hospital Rate Adjustment (HRA). In response, the Executive has proposed to increase the HRA by \$190.0 million and to restructure the HRA by tying the HRA directly to claims from the current fiscal year instead of the HRA being calculated based on claims from the 2 previous fiscal years.

The Executive and representatives from the hospitals agreed to a \$21.3 million state retention amount for this \$190.0 million HRA increase. \$21.3 million represents the state retention amount if the entire \$190.0 million increase was financed through traditional

Medicaid with its 13.2% GF/GP retention amount. That \$21.3 million is then distributed proportionally between traditional Medicaid (\$7.9 million) and Healthy Michigan Plan (\$13.4 million) based on each program's share of the HRA increase (\$70.0 million and \$120.0 million, respectively). Since the Healthy Michigan Plan retention amount is not driven by a percentage of the supplemental payment, statute must be amended to increase the retention amount.

FISCAL IMPACT:

Beginning in FY 2017-18, Senate Bill 1015 would increase Hospital QAAP revenues by \$13.4 million and would offset \$13.4 million GF/GP. The GF/GP savings are assumed in the Executive's FY 2017-18 supplemental request and in the Executive, House, and Senate versions of the FY 2018-19 Department of Health and Human Services budget.

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