

# Legislative Analysis

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## NURSING HOME AND HOSPITAL QAAP

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### House Bill 4185

**Sponsor: Rep. George Cushingberry, Jr.**

**Committee: Appropriations**

**Complete to 4-9-07**

## A SUMMARY OF HOUSE BILL 4185 (PROPOSED SUBSTITUTES H-1 & H-2)

**BRIEF SUMMARY:** HB 4185 H-1 and H-2 would amend the Public Health Code to update provisions of the quality assurance assessment program (QAAP) for nursing homes and hospitals related to the amount retained by the state to offset GF/GP funds for Medicaid. The substitute H-2 is a "conflict substitute" which incorporates changes from the recently signed SB 176, 2007 PA 5. Both substitutes if passed would have the same outcome, but H-2 incorporates current law.

The bills would authorize continuation of the appropriation of \$39.9 million from the Nursing Home QAAP to replace GF/GP revenue, which is the same amount authorized in FY 2005-06. The bills would also increase the amount of GF/GP revenue that can be retained by the State from the hospital QAAP revenue from \$46.4 million in FY 2005-06, to \$66.4 million in FY 2006-07 and FY 2007-08. The bills extend the sunset date for the collection of the hospital QAAP from October 1, 2007 to October 1, 2008. These proposed changes are consistent with the funding levels appropriated in the Department of Community Health Budget in this fiscal year and the Executive Budget Recommendation for FY 2007-08.

### FISCAL IMPACT:

Beginning in 2002, Michigan established the quality assurance assessment programs as a means to provide Medicaid rate increases for hospitals, nursing homes, and managed care organizations and leverage additional federal Medicaid matching funds. Under the QAAP, a tax is imposed by the State on a broad class of health care providers and the revenues are appropriated in the Department of Community Health budget to finance increases in the payment rates for Medicaid funded services. Because the state funds allocated in this manner qualify for federal Medicaid matching funds, the Medicaid reimbursement increase provided exceeds the total amount of revenue collected through the assessment.

The net financial impact of the QAAP varies for each health care organization or facility based on the volume of Medicaid services it provides. Those that serve a high volume of Medicaid patients receive the most benefit while those that provide a smaller percentage of Medicaid services receive less benefit. For some health care providers, the assessment may be greater than the additional Medicaid reimbursement they receive.

Michigan also retains a portion of the QAAP revenue to offset State GF/GP that otherwise would be required to fund the Medicaid program. HB 4185 specifies that the amount retained from the nursing home QAAP will be \$39.9 million which is the same amount reflected in the Department of Community Health budget in FY 2005-06. For the hospital QAAP, the State would retain \$66.4 million from the assessment in FY 2006-07 and FY 2007-08 to replace GF/GP expenditures for Medicaid.

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