

NURSING HOME QAAP – EXTEND SUNSET

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4734 as passed by the House

Sponsor: Rep. Matt Lori

Committee: Appropriations

Complete to 6-24-11

A SUMMARY OF HOUSE BILL 4734 AS PASSED BY THE HOUSE 6-23-11

House Bill 4734 amends the Public Health Code by extending the sunset date from October 1, 2011, to October 1, 2014, thereby allowing the State to continue to assess or collect the quality assurance assessment related to nursing homes and hospital long-term care units. It also includes conditional language that requires the Department of Community Health to discontinue collection of the assessment if the revenue is no longer federally matched, which would then require the funds to be returned to the hospitals and hospital long-term care units.

Provider Assessment Programs - Background Information

Since 2002 Michigan has established several health care provider assessment programs as a means to implement Medicaid rate increases for hospitals, nursing homes, health maintenance organizations (HMOs), and specialty prepaid inpatient health plans (PIHPs) for Medicaid mental health services. These assessments leverage additional federal Medicaid matching funds. These initiatives are also referred to as quality assurance assessment programs (QAAPs).

Under these financing arrangements, 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 (DCH) budget to fund increases in the payment rates for Medicaid-funded services. Because the state funds allocated in this manner qualify for federal Medicaid matching funds, the result is a significant increase in the Medicaid payment rates. In addition, the State also retains a portion of the QAAP revenue to offset GF/GP that otherwise would be required to fund the Medicaid program.

Provider assessments require federal approval and must comply with the following legal requirements:

- the assessment must be broad based and uniformly imposed on an entire class of providers;
- the assessment must be the same for all providers within the same group of providers; and
- the assessment cannot include a hold harmless provision to repay the provider for the fee paid.

The net impact of the assessment fee varies for each 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. In fact, some providers may pay a higher tax than they receive in the form of higher Medicaid payment. Within the federal restrictions that apply, Michigan has sought to minimize the potential losses for those facilities that provide fewer Medicaid services.

Note: As of April 1, 2009, the HMO and PIHP provider tax was replaced with a Use Tax. The FY 2011-12 DCH budget assumes the replacement of the Use Tax with a health insurance claims assessment (HICA).

FISCAL IMPACT:

Without an amendment to the statute, FY 2011-12 enacted DCH appropriations of this state restricted revenue, as well as federal Medicaid matching funds, cannot be expended. This may require replacement of match funds, program reductions, or provider rate reductions. The gross amount for FY 2011-12 is approximately \$520.7 million of which \$236.6 million is nursing home QAAP revenue.

Fiscal Analyst: Steve Stauff

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