

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO.

House Bill 254

PRINTER'S NO.

4076

AMOUNT

State fund savings of \$121 million in FY 2010-11, \$59 million in FY 2011-12, and \$66.5 million in FY 2012-13 which includes \$15 million in additional managed care organization gross receipts tax revenue.

FUND

General

DATE INTRODUCED

February 4, 2009

PRIME SPONSOR

Representative Fairchild

HISTORY OF BILL

Referred to VETERANS AFFAIRS AND EMERGENCY PREPAREDNESS,
Feb. 4, 2009

Reported as amended, March 11, 2009

First consideration, March 11, 2009

Laid on the table, March 11, 2009

Removed from table, March 11, 2009

Re-committed to APPROPRIATIONS, March 11, 2009

Re-reported as committed, March 17, 2009

Second consideration, with amendments, March 17, 2009

(Remarks see House Journal Page 373), March 17, 2009

Re-committed to APPROPRIATIONS, March 17, 2009

Re-reported as committed, Sept. 30, 2009

Re-committed to APPROPRIATIONS, Sept. 30, 2009

Re-reported as amended, Oct. 1, 2009

Third consideration and final passage, Oct. 3, 2009 (195-0)

(Remarks see House Journal Page 1989), Oct. 3, 2009

In the Senate

Referred to PUBLIC HEALTH AND WELFARE, Oct. 5, 2009

Reported as committed, June 29, 2010

First consideration, June 29, 2010

Second consideration, June 30, 2010

Re-committed to PUBLIC HEALTH AND WELFARE, June 30, 2010

Re-reported as amended, July 1, 2010

Re-referred to APPROPRIATIONS, July 1, 2010

Re-reported as committed, July 2, 2010

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DESCRIPTION AND PURPOSE OF BILL

House Bill 254 amends the Public Welfare Code to: direct the Department of Public Welfare (DPW) to determine whether an applicant for cash, medical or energy assistance is a veteran; provide for medical assistance payments for institutional care; and provide for a statewide quality care assessment.

The Department of Public Welfare is required to make a good faith effort to determine whether an applicant for cash, medical or energy assistance is a veteran. As a condition for eligibility to receive assistance, an applicant who is a veteran would be required to contact an accredited veteran service officer to determine the applicant's eligibility for veteran benefits. The bill requires the department to develop a standard form to be used by a veteran service officer to verify the applicant's eligibility for veteran benefits and to make the form available on the department's official website.

The legislation also established a statewide hospital assessment known as the Quality Care Assessment on each covered hospital subject to the conditions and requirements specified in the legislation during the three year period July 1, 2010 through June 30, 2013. The hospital assessment has the following goals: providing savings to the Commonwealth; providing for payments to the hospitals, and funding the All Patient Refined-Diagnostic Related Groups (APR-DRG) prospective payment system.

Requires the department to make supplemental payments such as inpatient disproportionate share and medical and health professional education to the extent required by the State Plan, but authorizes the department to change the payments based on the availability of federal and state funds. Also requires the creation of Pennsylvania specific All Patient Refined Diagnostic-Related Groups (APR-DRG) prospective payment system but authorizes the department to adjust the APR/DRG payments based on the revenue collected under the assessment. Provides that the calculation of hospital base rates will be adjusted for: labor costs; teaching status; capital; and MA patient levels, and for low and high cost outliers for inpatient stays when costs are either above or below thresholds set by the department.

Provides protections for existing Medicaid managed care organization (MCO) contracts with hospitals in place before June 30, 2010, provides protections for changes built into already existing contracts, but provides flexibility that MCOs and hospitals may change their contracts on their own terms. Outlines that enhanced MCO capitation payments are to be made to hospitals and are in lieu of increased payments to MCOs around the implementation of APR-DRG.

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Authorizes DPW to establish a Quality Care Assessment in accordance with federal rules to the extent that the assessment will qualify for Federal Financial Participation (FFP). Sets the assessment rate on net patient revenue at 2.69% for fiscal year 2010-2011 and at 2.84% for fiscal years 2011-12 and 2012-13. This section also permits the Secretary to change the assessment rate by going through a public comment process but the Secretary cannot adjust the assessment rate above 2.95%. An adjustment in the assessment percentage must be approved by the Governor.

Establishes that hospitals will be notified of how much they owe on the assessment in each fiscal year and will pay the assessment in four quarterly installments. Provides DPW with the ability to collect underpayments from hospitals and to remit overpayments from hospitals.

Creates a restricted account in the general fund for the receipt and deposit of hospital assessment funds for the purposes of making payments to hospitals under the fee for service (FFS) Program, payments to Medicaid MCOs for enhanced payments to hospitals and other purposes approved by the Secretary of Public Welfare. Specifies that the FFS and MCO payments may not exceed the amount of assessment funds collected and establishes that the Commonwealth will receive \$180 million in savings over the first two years of the assessment with \$121 million in the first year, \$59 million in the second year and \$51.5 million in the third year.

Allows Hospitals to appeal to the Bureau of Hearings and Appeals the amount of assessment due, but not the percentage of the assessment, and allows DPW to issue regulations as necessary to implement the provisions of the law.

Establishes that no payments to hospitals shall be made and no assessment funds will be collected unless the following have occurred: DPW receives federal approval of the Waiver needed to implement the assessment, the State Plan Amendment needed to implement the APR/DRG payment system, and amendments to the HealthChoices waiver and MCO contracts needed to authorize the enhanced payments to the hospital through the Managed Care Program.

Requires DPW to submit a summary report to the House and Senate Public Health & Welfare and Appropriations Committees 180 days prior to the sunset of the statewide assessment which is June 30, 2013. Included in the report will be the assessment revenue collected, paid out, penalties, hospitals receiving the payments and any proposed changes to the assessment methodologies and standards.

Act shall take effect immediately and the hospital assessment is retroactive to July 1, 2010.

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FISCAL IMPACT:

The provisions relating to veterans are not anticipated to have a great fiscal impact. It is assumed that the department will absorb the costs associated with developing the standard form required under the legislation. In addition, the department currently attempts to claim federal benefits for veterans in assistance programs.

For fiscal year 2010-11 the Commonwealth will receive state fund savings of \$121 million from the statewide hospital assessment. State fund savings in fiscal year 2011-12 are \$59 million and \$51.5 million in FY 2012-13.