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Program Fact Sheet

Provider Fees

What Is A Provider Fee?

A provider fee is an allowable health care-related tax pursuant to federal regulations which may be used to fund enhanced reimbursement to Medicaid providers. Such fees can be a significant benefit to providers and may be used to:

- Fund supplemental payments to Medicaid providers
- Enhance reimbursement rates for Medicaid providers
- Fund Medicaid expenditures

Provider fees are a valuable tool to leverage federal funds to increase reimbursement to providers and by doing so, preserve and increase access to necessary medical services for Kentuckians.

Pursuant to 42 CFR 433.68, states may impose a tax on a specific health care provider or services equivalent to a maximum 6% of net revenues. Federal law places strict requirements and guidelines on provider fee programs:

1. Provider Fees must be Broad Based and apply to all providers within a group
2. Provider Fees must be Uniformly imposed on all providers within the group
3. States cannot guarantee that a provider will be "Held Harmless", or receive sufficient payments to offset taxes paid.

If a provider fee program does not meet the broad based and uniformity requirements the State must submit a waiver request to the Centers for Medicaid and Medicare Services (CMS) to allow continued funding.

Current Situation with Kentucky EMS Providers

Currently there are 220 Licensed Emergency Ambulance services in Kentucky. Of these, 85 are operated as a stand-alone local government entity, 63 are for-profit private providers, 51 are Fire Department based services and 21 are Hospital based. All of these providers currently serve the Medicaid population of Kentucky.

The average reimbursement in 2018 for an emergency response and transport of a Medicaid member was \$145.00. Current costs to provide emergency transport vary according to provider but typically run from \$350.00 per run up to \$750.00 per run. (Services that fall under the State Pension system typically have higher costs) So currently providers lose between \$205—\$605 each time they provide an emergency transport of a Medicaid recipient. It is very common to utilize 2-3 vials of Narcan on an overdose patient and providers currently pay approximately \$40 per vial for this medication. This places the financial burden for the care of Medicaid patients directly on the local City/County government's budget.

Provider fees are taxes assessed on health care providers or health care services.

The fees collected are then used to obtain federal Medicaid matching dollars to provide enhanced reimbursement to Medicaid providers.

The enhanced reimbursement to Medicaid providers helps to preserve access to vital medical services for Medicaid recipients in Kentucky.

**Provider Fees may be
Assessed on:**

Inpatient Hospital
Services

Outpatient Hospital
Services

Nursing Facilities

ICF-IID Facilities

Physician Services

Physician Assistant
Services

Midwife Services

Home Health Services

Managed Care
Organizations

Prescription Drugs

Ambulatory Surgical
Centers

Dental Services

Podiatric Services

Chiropractic Services

The impact of a Provider Fee on Emergency Services

Based upon revenue and transport information provided by emergency ambulance providers and the Medicaid State agency, we estimate that a provider fee on emergency ambulance services could generate approximately \$10 million dollars. The federal match would provide an additional \$26 Million. Based upon an estimated annual volume of 150,000 Medicaid emergency transports, Emergency fees would increase by almost \$240 per transport. This would result in a net increase of \$174 per transport after factoring in the provider fee cost. Our model also includes an increase in non-emergency transport reimbursement to also be funded at no additional cost to the State budget. Matching federal funds and assessment fees would be used to increase non-emergency reimbursement. This project will enhance access to care for the Medicaid community that is currently struggling to obtain non-emergency transportation in the state.

Provider Fees

49 States, as well as Washington, D.C., operate at least one provider fee program (Alaska is the only state that does not assess a provider fee). In many states, providers have requested the State Medicaid Agency establish provider fee programs, as they recognize the benefits these programs can offer.

Currently in Kentucky, provider fee programs are in place on services provided by hospitals, Home health care agencies, facilities for the intellectually disabled, Medicaid managed care organizations, nursing facilities, and support for community living providers.

Madison County EMS

Madison County EMS provides Emergency and non-emergency services for the citizens of Richmond and Madison County. In 2018, this services provided care 2842 times to citizens depending primarily on Kentucky Medicaid for their Health Care.

Madison County currently receives an average of \$112 to provide emergency care and transportation of a Medicaid member to the local hospital or to Lexington if further care is needed. The cost of providing this care in 2018 was

approximately \$350. So in 2018, The local governing body subsidized the care of the Medicaid population in the amount of \$676,396.

Under the plan proposed in HB 83, Madison County would receive an additional \$684,842 from the Medicaid program as a result of the assessment and resultant Federal match.

Madison County's estimated quarterly assessment would be \$55,640. This would result in a net increase in reimbursement for the care of the Medicaid population of

\$462,281. While this amount is still less than the cost of providing care, The additional funds would greatly offset the losses currently incurred by the local governing body.

In Rural Eastern Kentucky, The percentage of patients transported with Medicaid is significantly higher than the state average, putting severe strain on the funding of these services.

Louisville Metro EMS

Louisville Metro currently provides emergency transportation to the largest population of Medicaid recipients in the state. In 2018, LM-EMS provided care and transportation to 22,619 citizens that rely on Medicaid for their primary medical coverage. The reimbursement to LM-EMS in 2018 was slightly in excess of \$2 Million.

The provider fee model projects

that the total enhanced payments to Louisville metro EMS would amount to \$5,377,998 with a net increase after assessment of \$4,320,908.

Winchester Fire and EMS

Winchester Fire and EMS is a shining example of 1 of the 51 Fire based providers of Emergency medical Services in Kentucky.

In 2018, Winchester Fire and EMS provided emergency care and transportation to 1333 citizens that rely on Medicaid as their

primary health care payor.

The Medicaid program reimbursed Winchester Fire \$118,191 for this care.

Under the proposed Provider Assessment, Winchester Fire and EMS would receive an estimated \$169,035 for this service. (This would be an additional \$50,844 of

enhanced payments.) In return, Winchester Fire would pay an estimated \$6551 per quarter in assessment fees.

The Solution - A Provider Fee

- A provider fee pursuant to HB 83 would not place any additional costs on the State, The proposed language in the bill would provide for \$200,000 to be allotted to the Department of Medicaid to offset any administrative costs.
- Assessment payments from local Governments would be due after the first quarter, thus negating any negative impacts on budgetary cash flow.
- Funds would also be set aside to enhance non-emergency transports, thus easing the current difficulties in obtaining non-emergency stretcher transport of the Medicaid recipient.