

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2021 REGULAR SESSION**

MEASURE

2021 BR NUMBER 967

HOUSE BILL NUMBER 183

TITLE AN ACT relating to the hospital rate improvement program, making an appropriation therefor, and declaring an emergency.

SPONSOR Representative Brandon Reed

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: Department for Medicaid Services

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED Medical Assistance
Revolving Trust Fund

FISCAL ESTIMATES	2020-2021	2021-2022	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			
EXPENDITURES	\$231,835,700 RF \$831,143,400 FF	\$309,091,600 RF \$809,589,500 FF	Indeterminable
NET EFFECT	(\$231,835,700 RF) (\$831,143,400 FF)	(\$309,091,600 RF) (\$809,589,500 FF)	Indeterminable

() indicates a decrease/negative

PURPOSE OF MEASURE: The purpose of the measure is to change the Medicaid reimbursement methodology for inpatient hospital services provided under the Hospital Rate Improvement Program (HRIP).

FISCAL EXPLANATION: Currently, under the Hospital Rate Improvement Program, hospitals receive Medicaid reimbursements for inpatient hospital services up to the Medicare upper payment limit (UPL), and hospitals pay an assessment which covers the Medicaid state match portion of the reimbursements. The proposed legislation, House Bill 183, would change the Medicaid reimbursement for inpatient hospital services from the Medicare UPL to 90 percent of the statewide average commercial rate (ACR) limit. Due to federal law, the change in payment methodology would only apply to Medicaid reimbursements for inpatient hospital services provided through a Medicaid managed care organization (MCO). Payments for inpatient hospital services provided under the Medicaid fee-for-service program would continue to be based on the Medicare UPL.

The Department for Medicaid Services conducted an analysis of the Medicaid claims data in order to estimate the impact of the change in reimbursement methodology on expenditures. Based on the claims data analysis, the projected uniform dollar amount per discharge for inpatient hospital services was estimated at \$8,594.39 for the contract year.

Taking into account the uniform dollar amount per discharge and the historical number of claims for inpatient hospital services in conjunction with a blended Medicaid match rate, the Department for Medicaid Services estimates that the changes in the reimbursement methodology would result in increased Medicaid expenditures of \$1.1 billion in Fiscal Year (FY) 2021 with \$231.8 million in Restricted Funds and \$831.1 million in Federal Funds. In FY 2022, the legislation is estimated to result in increased Medicaid expenditures of \$1.1 billion with \$309.1 million in Restricted Funds and \$809.6 million in Federal Funds. Hospitals would continue to pay the state match share - as represented in the Restricted Funds - through the provider tax.

DATA SOURCE(S): Cabinet for Health and Family Services

PREPARER: Miriam Fordham NOTE NUMBER: 6 REVIEW: JAB DATE: 2/2/2021