

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

**MEASURE**

2021 BR NUMBER 967

HOUSE BILL NUMBER 183 HCS1

**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
<b>REVENUES</b>			
<b>EXPENDITURES</b>	\$231,835,700 RF \$831,143,400 FF	\$309,091,600 RF \$809,589,500 FF	Indeterminable
<b>NET EFFECT</b>	(\$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) and to allow critical access hospitals to be included in the calculation and payment of supplemental payments as authorized under KRS 205.6406.

**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.

The inclusion of critical access hospitals in the calculation and payment of supplemental payments as authorized under KRS 205.6406 does not alter the estimates provided above regarding the fiscal impact of the change in methodology for the HRIP.

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

**PREPARER: Miriam Fordham NOTE NUMBER: 38 REVIEW: JAB DATE: 2/10/2021**