2009 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 37 **STATUS:** A Engrossed
SUBJECT: Rural Health Clinics Reimbursements
GOVERNMENT UNIT AFFECTED: Department of Human Services
PREPARED BY: Kim To
REVIEWED BY: John Britton
DATE: June 3, 2009 **<REVISED>**

	2009-2011	2011-2013
EXPENDITURES:		
Special Payments		
General Fund		$ 153,022
Federal Funds		$ 257,444
Total Funds		**$ 410,466**

EFFECTIVE DATE: January 1, 2010

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: *Revised to remove Personal Services costs. Upon further review of workload, the Department of Human Services believes that the work required by this bill can be assigned to existing staff.* This measure requires the Department of Human Services to ensure that, on or after May 17, 2011, rural health clinics (RHC) receive full reimbursement within 45 days for health services provided to persons enrolled in prepaid managed care health services organizations. This bill takes effect 45 days prior to the start of the 2011-13 biennium.

Under current federal law, the Department reimburses rural health clinics on a quarterly basis for the difference between what they are paid by managed care health services organizations (MCO) and what they would have been paid had the rural clinic been reimbursed directly by the Department according to the Medicaid Prospective Payment System encounter rate. These payments are typically made nine months in arrears of the date of service. This measure would reduce this time from nine months to 45 days. In order to comply to this two-month timeline, DHS would need to process each settlement twice, an initial settlement for interim payment and a final reconciliation payment, after all records are submitted for audit to ensure proper payments. Of note is that MCOs are not required, either statutorily or administratively, to submit to DHS information about payments to rural health clinics. Therefore, DHS relies on rural health clinics to provide accurate reporting of such payments when determining the appropriate level of reimbursement.

DHS states that rural health clinics are designated Centers for Medicare and Medicaid Services by the U.S. Department of Health and Human Services.

The estimated payments to rural health clinics are based on an average monthly supplemental payment of $58,638 and has a total cost of $410,466 during the 2011-13 biennium ($153,022 General Fund and $257,444 Federal Funds). Note that this fiscal is based on 2007-09 pricing. Using 2009-11 pricing would add $70,000 Total Funds ($26,000 General Fund) additional program expenditures due to medical

inflation. The Department does not anticipate a fiscal impact related to payments to rural health clinics after the 2011-13 biennium, at which time the Department's payments will adhere to the measure requirements and be only 45 days in arrears. The federal match rate is approximately 60% for these payments. The funding source is federal title XIX Medicaid funds.

In the original fiscal, DHS insisted that the increased workload was significant despite numerous Legislative Fiscal Office (LFO) questioning of the stated need for additional staffing. The Department was adamant that the increased workload associated with the auditing and reconciling of submitted reports in order to ensure timely and accurate processing of payments would require one full-time Fiscal Auditor 2 position (1 FTE). Yet, now the Department believes it can absorb this work with existing staff. LFO is concerned that the decision to absorb costs that the Department originally priced at $164,029 represents a decision to move staffing and resources from an existing statutory requirement or priority to a different priority based solely at the discretion of agency staff.