FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2216 - B

Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Date: 5/10/2013

Measure Description:
Repeals sunset on collection of hospital assessment. Extends long term care facility assessment to July 1, 2020

Government Unit(s) Affected:
Oregon Health Authority (OHA), Department of Human Services (DHS)

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.

<u>Summary of Expenditure Impact – Oregon Health Authority</u>

Extend Existing 4.3% Hospital Assessment:

	2013-15 Biennium	2015-17 Biennium
Other Funds - Special Payments	600,000,000	90,000,000
Federal Funds - Special Payments	1,014,000,000	152,100,000
Total Funds	**$1,614,000,000**	**$242,100,000**

Additional 1% Hospital Assessments:

	2013-15 Biennium	2015-17 Biennium
Other Funds - Special Payments	145,000,000	20,700,000
Federal Funds - Special Payments	245,000,000	35,000,000
Total Funds	**$390,000,000**	**$55,700,000**

<u>Summary of Expenditure Impact – Department of Human Services</u>

Long Term Care Facility Reimbursement Rate Extension

Expenditure Impact - Long Term Care Facility Reimbursement Rate Extension

	2013-15 Biennium	2015-17 Biennium
General Fund	($22,373,985)	($59,398,909)
Other Funds	$59,370,526	$126,616,920
Federal Funds	$66,552,355	$109,959,364
Total Funds	**$103,548,896**	**$177,177,375**

Augmented Reimbursement Rate

	2013-15 Biennium	2015-17 Biennium
General Fund	$778,963	$1,625,339
Other Funds	$271,572	$545,068
Federal Funds	$1,800,996	$3,552,800
Total Funds	**$2,851,531**	**$5,723,207**

Analysis:

Oregon Health Authority (OHA)

Effective the 91st day after sine die, House Bill 2216:

1. Requires the Oregon Health Authority to establish a hospital performance program based on recommendations from a hospital performance metrics advisory committee, and using moneys from an amount equal to the federal financial participation received from one percentage point of the hospital assessment [Sections 1 and 7].
2. Authorizes OHA to make payments to hospitals using a new payment methodology that advances the goals of the Oregon Integrated and Coordinated Health Care Delivery System [Sections 2 and 7].
3. Specifies that if the maximum assessment rate allowed under federal law is reduced requiring the Director to reduce Oregon's assessment rate, the moneys for the performance program will be reduced first [Section 3].
4. Allows OHA to use hospital assessment revenue from the Hospital Quality Assurance Fund to pay administrative costs incurred from establishing and supporting the hospital performance metrics advisory committee [Section 7].
5. Extends hospital assessment for hospitals for two more years to September 30, 2015 [Section 8].
6. Allows OHA to end the adjustment to the payments to Coordinated Care Organizations currently required under ORS 414.746 by repealing this statute operative April 1, 2014 [Sections 11 and 12 and 14].
7. Provides OHA to apply for any necessary federal approvals from the Centers for Medicare and Medicaid Services and inform Legislative Counsel upon receipt of federal approval or disapproval [Section 13].

OHA reports that through discussions with hospital representatives, the Governor's Office developed the Governor's budget to continue the hospital assessment as critical funding component for health services provided under the Oregon Health Plan. Those discussions included ending the hospital adjustment as part of the payments to managed care plans and Coordinated Care Organizations (CCOs), and replacing that adjustment with assessment-funded payments that OHA would make directly to hospitals. This bill is the result of those discussions and is in support of the Governor's budget, in which hospital assessment revenue replaces General Fund.

The Oregon Health Authority estimates the extension of the 4.3% hospital assessment for the Oregon Health Plan will generate $600,000,000 in Other Fund revenue and $1,014,000,000 in federal matching funds, totaling $1,614,000,000 Total Fund impact for the seven quarters of the 2013-15 biennium; and $242,100,000 Total Fund for one quarter of the 2015-17 biennium. The bill extends the hospital assessment to September 30, 2015.

The Governor's budget anticipated the Total Fund impact of the additional 1% assessment for hospitals to be $375 million. However, based on the 1% hospital assessment and the updated Federal Medical Assistance Percentages (FMAP) rates, the Oregon Health Authority now estimate the assessment generating $145 million in Other Fund revenue and $245 million in federal matching funds, totaling $390 million dollar Total Fund impact for the seven quarters of the 2013-15 biennium, and $55,700,000 Total Fund for one quarter in the 2015-17 biennium. The bill authorizes OHA to use hospital assessment revenue from the Hospital Quality Assurance Fund to pay administrative costs incurred from establishing and supporting a hospital performance metrics advisory committee. OHA estimates that $245 million (the amount equal to the federal financial participation received from one percentage point of the hospital assessment) will be available for the performance metrics program.

The bill includes a provision allowing expedited review for an application for a certificate of need related to certain long term care facility changes. OHA administers the application process and estimates there will be a minimal amount of applications and no associated fiscal impact.

Department of Human Services (DHS)
House Bill 2216 B-Engrossed reauthorizes the Long Term Care Facility Assessment and extends it through June 30, 2020. Currently the assessment is scheduled to sunset on June 30, 2014. This legislation continues the existing Medicaid reimbursement methodology for these long term care facilities, but rebasing would occur annually instead of biennially. Rebasing more frequently is expected to help capture savings associated with a related capacity reduction initiative. Effective January 1, 2014, the bill makes 25 exempt facilities subject to the assessment. These include facilities having Medicaid occupancy at greater than 85 percent and facilities operated by continuing care retirement communities. The current exemption for the Oregon Veteran's Home is retained.

In the 2013-15 biennium, the DHS fiscal impact for this portion of the amendment is $103,548,896 Total Funds. Included in this number is an adjustment to General Fund already built into the budget to replace assessment revenue lapsing under current law, which effectively drives a "net" increase of $36,996,541 Other Funds. That increase then leverages another $66,662,355 Federal Funds. These resources would be used to reimburse nursing facility providers and help incentivize a nursing facility capacity reduction. The fiscal impact for 2015-17 biennializes the revenues/expenditures associated with the continued assessment and factors in caseload changes. Assessment revenue alone is covering about 14% of the nursing facility program costs or about 38% of costs when the associated federal dollars are factored in.

The bill also sets a goal of reducing Oregon's long term care bed capacity by 1,500 beds by December 31, 2015. The legislation establishes procedures for a licensed long term care provider to purchase the bed capacity of another long term care facility. A financial incentive, via an augmented reimbursement rate of $9.75 per Medicaid resident day, will be paid to the purchaser for a period of four years from the date of purchase. DHS estimates the fiscal impact of the augmented rate qualified buyers to be $2,851,531 Total Funds in the 2013-15 biennium, and $5,723,207 Total Funds for the 2015-17 biennium.

If the 1,500 bed reduction target is not met, DHS will start adjusting nursing facility reimbursement rates downward in 2016. The legislation sets out a schedule for rate adjustments based on progress made toward the capacity reduction goal.

This legislation bill is anticipated in the Department of Human Services Governor's budget (Policy Option Package 108), and has been re-priced in this fiscal impact statement with updated caseload and cost-per-case information.