

HF1634 - 0 - "MA Reimbursement Criteria"

Chief Author: **Dave Baker**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **04/09/2015**  
 Agency: Human Services Dept

| State Fiscal Impact        | Yes | No |
|----------------------------|-----|----|
| Expenditures               | X   |    |
| Fee/Departmental Earnings  |     | X  |
| Tax Revenue                |     | X  |
| Information Technology     | X   |    |
| <b>Local Fiscal Impact</b> |     |    |
|                            |     | X  |

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

| State Cost (Savings)  | Biennium             |              |              | Biennium     |              |        |
|-----------------------|----------------------|--------------|--------------|--------------|--------------|--------|
|                       | Dollars in Thousands | FY2015       | FY2016       | FY2017       | FY2018       | FY2019 |
| General Fund          | -                    | 1,735        | 2,204        | 2,338        | 2,480        |        |
| <b>Total</b>          | -                    | <b>1,735</b> | <b>2,204</b> | <b>2,338</b> | <b>2,480</b> |        |
| <b>Biennial Total</b> |                      |              | <b>3,939</b> |              | <b>4,818</b> |        |

| Full Time Equivalent Positions (FTE) | Biennium |        |        | Biennium |        |
|--------------------------------------|----------|--------|--------|----------|--------|
|                                      | FY2015   | FY2016 | FY2017 | FY2018   | FY2019 |
| General Fund                         | -        | -      | -      | -        | -      |
| <b>Total</b>                         | -        | -      | -      | -        | -      |

**Executive Budget Officer's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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### State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

| <b>State Cost (Savings) = 1-2</b>                        |   | Biennium |              |              | Biennium     |              |
|--|---|----------|--------------|--------------|--------------|--------------|
| Dollars in Thousands                                     |   | FY2015   | FY2016       | FY2017       | FY2018       | FY2019       |
| General Fund   | - | 1,735    | 2,204        | 2,338        | 2,480        | -            |
| <b>Total</b>   |   | <b>-</b> | <b>1,735</b> | <b>2,204</b> | <b>2,338</b> | <b>2,480</b> |
| <b>Biennial Total</b>                                    |   |          |              | <b>3,939</b> |              | <b>4,818</b> |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |   |          |              |              |              |              |
| General Fund   | - | 1,735    | 2,204        | 2,338        | 2,480        | -            |
| <b>Total</b>   |   | <b>-</b> | <b>1,735</b> | <b>2,204</b> | <b>2,338</b> | <b>2,480</b> |
| <b>Biennial Total</b>                                    |   |          |              | <b>3,939</b> |              | <b>4,818</b> |
| <b>2 - Revenues, Transfers In*</b>                       |   |          |              |              |              |              |
| General Fund   | - | -        | -            | -            | -            | -            |
| <b>Total</b>   |   | <b>-</b> | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     |
| <b>Biennial Total</b>                                    |   |          |              | <b>-</b>     |              | <b>-</b>     |

### Bill Description

Senate File 1527 increases payment rates in Medical Assistance by 90 percent for several services provided at a hospital meeting the criteria in Minnesota Statutes 62Q.19 subdivision 1, paragraph (a), clause (4). This statute refers to a former state hospital that specializes in the treatment of cerebral palsy, spina bifida, epilepsy, closed head injuries, specialized orthopedic problems, and other disabling conditions. Gillette Childrens Hospital in St. Paul meets this provider definition.

The services receiving the increase in this bill include the following:

- Physical Therapy
- Occupational Therapy
- Speech and Language Pathology
- Medical Supplies and DME not subject to a volume purchase contract
- Prosthetics and orthotics; and
- Laboratory Services

The legislation also exempts payments for certain services to Gillette Childrens Hospital from the Medicare payment limit in Minnesota Statutes 256B.767. This is a conforming change that allows payment for the services receiving the increase in this bill at a rate higher than that paid by the Medicare program.

### Assumptions

This bill would provide a 90% rate increase to Gillette Hospital for rehab services (physical therapy, occupational therapy, and speech therapy and related services), durable medical equipment DME not subject to a volume purchase contract, prosthetics and orthotics, outpatient hospital facility fees, and laboratory services. Note that this fiscal analysis does not include laboratory services in the rate increase since rates for laboratory services are subject to federal limits and MA reimbursement for laboratory services is already at the maximum allowed under these limits. Finally, the bill does not allow these increases to be reflected in payments to managed care plans and county-based purchasing plans, so this estimate reflects only the impact on fee-for-service payments.

Based on department data, the following are FY2014 payments to Gillette hospital that would have been subject to the rate increase:

Rehab Services \$700,652

DME, Prosthetics, Orthotics, Outpatient Facility Fees \$3,132,113

This estimate trends this amount forward using the base forecast for the relevant service categories and applies the specified 90% rate increase. As a childrens hospital, Gillette's claims are almost entirely for care provided to children, so it is assumed in this analysis that the entire rate increase is federally matched at 50%.

The rate modifications outlined in this bill require changes to DHS claims payment systems. The cost of making these changes is reflected in this estimate.

**Expenditure and/or Revenue Formula**

| Minnesota  |                 |  |                |                |                |                |                |
|--|-----------------|--|----------------|----------------|----------------|----------------|----------------|
| MEDICAL ASSISTANCE   |                 |  |                |                |                |                |                |
| Fiscal Analysis of a Proposal to   |                 |  |                |                |                |                |                |
| <b>Extend 90% Rate Increase to Gillette Hospital for</b>                               |                 |  |                |                |                |                |                |
| <b>Rehab Services, Durable Medical Equipment and Outpatient Hospital Facility Fees</b> |                 |  |                |                |                |                |                |
| <b>SF1527</b>  |                 |  |                |                |                |                |                |
|  |                 |  |                |                |                |                |                |
|  |                 |  |                |                |                |                |                |
| The effective date is assumed to be July 2015. Phase-in percentages assume 10/12ths of |                 |  |                |                |                |                |                |
| FFS payments are affected in FY2016.   |                 |  |                |                |                |                |                |
|  |                 |  |                |                |                |                |                |
|  |                 |  | <b>Actual</b>  |                |                |                |                |
| <b>Rehab Services</b>  |                 |  | <b>FY 2014</b> | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> | <b>FY 2019</b> |
| Base Forecast:   |                 |  |                |                |                |                |                |
| FFS Rehab Services   |                 |  | \$21,407,752   | \$23,408,778   | \$24,836,033   | \$26,347,469   | \$27,932,243   |
| Payments subject to increase   |                 |  | \$700,652      | \$766,143      | \$812,855      | \$862,323      | \$914,191      |
| Increase of 90%  |                 |  |                | \$689,529      | \$731,570      | \$776,091      | \$822,772      |
| Phase in for increase  |                 |  |                | 83.3%          | 100.0%         | 100.0%         | 100.0%         |
| Cost of increase with phase-in   |                 |  |                | \$574,607      | \$731,570      | \$776,091      | \$822,772      |
|  |                 |  |                |                |                |                |                |
| <b>Total MA Cost: Rehab</b>  |                 |  |                | \$574,607      | \$731,570      | \$776,091      | \$822,772      |
|  | Federal share % |  |                | 50.00%         | 50.00%         | 50.00%         | 50.00%         |
|  | Federal share   |  |                | \$287,304      | \$365,785      | \$388,045      | \$411,386      |

| Minnesota                                      |                 |  |               |                |                |                |                |
|--|-----------------|--|---------------|----------------|----------------|----------------|----------------|
|  | State share     |  |               | \$287,304      | \$365,785      | \$388,045      | \$411,386      |
| <b>DME, Prosthetics, Orthotics, Outpatient</b> |                 |  |               |                |                |                |                |
| Base Forecast:                                 |                 |  |               |                |                |                |                |
| FFS DME, Pros, Orth, Outpatient                |                 |  | \$179,169,581 | \$220,178,523  | \$233,533,165  | \$247,791,957  | \$262,865,493  |
| Payments subject to increase                   |                 |  | \$3,132,113   | \$3,849,002    | \$4,082,458    | \$4,331,720    | \$4,595,225    |
| Increase of 90%                                |                 |  |               | \$3,464,102    | \$3,674,212    | \$3,898,548    | \$4,135,702    |
| Phase in for increase                          |                 |  |               | 83.3%          | 100.0%         | 100.0%         | 100.0%         |
| Cost of increase with phase-in                 |                 |  |               | \$2,886,751    | \$3,674,212    | \$3,898,548    | \$4,135,702    |
| <b>Total MA Cost: DME</b>                      |                 |  |               | \$2,886,751    | \$3,674,212    | \$3,898,548    | \$4,135,702    |
|  | Federal share % |  |               | 50.00%         | 50.00%         | 50.00%         | 50.00%         |
|  | Federal share   |  |               | \$1,443,376    | \$1,837,106    | \$1,949,274    | \$2,067,851    |
|  | State share     |  |               | \$1,443,376    | \$1,837,106    | \$1,949,274    | \$2,067,851    |
| <b>Fiscal Summary</b>                          |                 |  |               |                |                |                |                |
|  |                 |  |               | <b>FY 2016</b> | <b>FY 2017</b> | <b>FY 2018</b> | <b>FY 2019</b> |
| <b>Total MA Cost</b>                           |                 |  |               | \$3,461,359    | \$4,405,782    | \$4,674,639    | \$4,958,474    |
|  | Federal share % |  |               | 50.00%         | 50.00%         | 50.00%         | 50.00%         |
|  | Federal share   |  |               | \$1,730,679    | \$2,202,891    | \$2,337,319    | \$2,479,237    |
|  | State share     |  |               | \$1,730,679    | \$2,202,891    | \$2,337,319    | \$2,479,237    |

| Fiscal Tracking Summary (\$000s) |       |                                |        |        |        |        |
|----------------------------------|-------|--------------------------------|--------|--------|--------|--------|
| Fund                             | BACT  | Description                    | FY2016 | FY2017 | FY2018 | FY2019 |
| GF                               | 33-ED | MA Grants                      | 1,731  | 2,203  | 2,337  | 2,479  |
| GF                               | 11    | MMIS @ .29%                    | 4      | 1      | 1      | 1      |
|                                  |       |                                |        |        |        |        |
|                                  |       |                                |        |        |        |        |
|                                  |       | <b>Total Net Fiscal Impact</b> | 1,735  | 2,204  | 2,338  | 2,480  |
|                                  |       | <b>Full Time Equivalents</b>   |        |        |        |        |

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

DHS Reports and Forecasts Division

February 2015 Forecast

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