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Subject: Alternative payment method for children's hospitals

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Overview

This bill establishes a contingent, alternate payment method for children's hospitals that is related to a recent federal policy change in how disproportionate share hospital (DSH) payments are calculated. The state provides DSH payments to hospitals with high proportions of medical assistance patients. The DSH payment to a hospital cannot exceed a hospital specific limit, which is generally calculated as the difference between the cost of providing services to Medical Assistance (MA) enrollees and the regular MA payment received. The federal Centers for Medicare and Medicaid Services recently implemented a new policy that would require states, in calculating the DSH payment amount, to include costs and payments received for MA-eligible patients with private health insurance. This policy has the effect of reducing the DSH amount that a hospital would receive. This bill would require the Commissioner of Human Services to implement an alternate payment method in place of DSH, in the event that Minnesota is required to comply with the new federal policy. The new federal policy has been challenged in court by Minnesota children's hospitals and children's hospitals in other states.

Section

- 1** **Alternate inpatient payment rate.** Amends § 256.969, by adding subd. 2e. (a) Establishes a contingent, alternate inpatient payment rate for children's hospitals that would be implemented retroactively to January 1, 2015, if these hospitals are required to include the days, costs, and revenues of patients eligible for MA who also have private health insurance

Section

in the calculation of the DSH rate. Requires the commissioner to reimburse a hospital at the higher of the alternate payment rate or the DSH rate.

(b) Provides that:

(1) the alternative payment rate target an aggregate reimbursement amount that is two percent less than each hospital's cost coverage percentage under fee-for-service MA;

(2) costs be determined using the MA cost report, with costs determined using Medicare methods, and that the Medicare Cost Report is to be used if the MA cost report is not available;

(3) DSH payments shall not be made in any rate year in which a hospital is paid under the alternate payment rate; and

(4) if the alternative payment amount increases at a rate higher than the inflation factor used in rebasing, the commissioner shall consider this when setting rates at the next rebasing.

- 2** **Medical assistance cost reports for services.** Amends § 256.969, subd. 4b. Requires children's hospitals to file medical assistance cost reports with the commissioner. Under current law, these hospitals file MA cost reports due to their receiving DSH payments. Provides a retroactive effective date of January 1, 2015.