

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7089

BILL NUMBER: HB 1347

DATE PREPARED: Jan 5, 2000

BILL AMENDED:

SUBJECT: Disproportionate Share Providers.

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**FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill requires the Office of Medicaid Policy and Planning (OMPP) to consider a disproportionate share provider as a provider in the Medicaid program and to include the provider in the list of managed care providers furnished to each Medicaid recipient in the geographic area where the provider provides services if the provider has attempted in good faith to negotiate the terms of a provider agreement with OMPP or OMPP's contractor. The bill provides that OMPP may not exclude certain providers from participating in the Medicaid program by entering into exclusive contracts with other providers. The bill also provides that a Medicaid recipient may obtain most Medicaid services from certain managed care providers or certain disproportionate share providers.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill could result in increased costs indirectly through potentially higher capitation rates in the Medicaid risk-based managed care (RBMC) program.

Background: This bill allows hospitals that qualify as DSH and that have negotiated in good faith but have been unable to reach an agreement with a Medicaid managed care organization (MCO) to participate in the MCO's network. However, current Medicaid policy maintains that a hospital without a provider agreement with the MCO would be required to be reimbursed at an out-of-network fee-for-service rate. To the extent that the out-of-network rates paid by an MCO would result in higher costs to the MCO and would be factored into future negotiated capitation rates for the managed care program, expenditures in the Medicaid RBMC program would increase. The costs of the Medicaid program are shared with the federal government (Approximate cost shares are 62% Federal and 38% State).

These provisions affect providers who qualify as a disproportionate share provider. There were 14 Basic and Enhanced DSH hospitals in FY1998. There are also 40 to 50 municipal disproportionate share hospitals in the state. This bill could affect those DSH hospitals without a current agreement with an MCO or hospitals

in areas where there are competing MCOs. It could also lessen the incentive for other DSH hospitals to sign agreements with MCOs.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal cost-sharing in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues: See Explanation of State Expenditures, above, regarding Medicaid payments to County and Municipally-owned DSH hospitals.

State Agencies Affected: Office of Medicaid Policy and Planning

Local Agencies Affected: County and Municipal DSH Hospitals

Information Sources: