

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7276

BILL NUMBER: HB 1352

DATE PREPARED: Feb 25, 2000

BILL AMENDED: Feb 24, 2000

SUBJECT: Disproportionate Share Hospital Payments.

FISCAL ANALYST: Alan Gossard

PHONE NUMBER: 233-3546

FUNDS AFFECTED: **GENERAL**
DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill changes the structure of and payments to providers for the disproportionate share hospital (DSH) program in the following ways: (1) Eliminates the distinction between Basic and Enhanced disproportionate share hospitals and provides transitional payment methodology; and (2) Provides that DSH payments to certain hospitals will be based on and made as close as possible to the hospital's hospital specific limit (Current law provides that payments to Basic DSH providers are based on Medicaid days and discharges.)

This bill also simplifies administration of the DSH program and shifts implementation and payment detail from statute to the state's Medicaid Plan. The bill also eliminates the requirement of an independent audit for all qualifying hospitals and provides the Office of Medicaid Policy and Planning (OMPP) with discretion to require an independent certification of data provided by a hospital to determine the hospital's hospital specific limit.

The bill also provides OMPP with broad discretion to develop a DSH payment methodology that meets certain criteria and allows OMPP, under certain criteria, to expand or establish programs to provide payments to certain hospitals. The bill also modifies the order of payments to various categories of DSH providers during specific years. It also makes conforming amendments.

Effective Date: (Amended) July 1, 1994 (retroactive); July 1, 1997 (retroactive); July 1, 1998 (retroactive); July 1, 1999 (retroactive).

Explanation of State Expenditures: (Revised) This bill is not projected to increase state payments or revenues in the Medicaid DSH program. However, currently, the state receives about 18% of the federal share (or about \$18 M) in the Enhanced DSH program. To the extent that DSH payments can be accelerated by this bill through administrative simplification of the DSH program, the state could receive its share earlier.

The bill also reserves a portion of the state DSH cap (\$6 M) for FY2000 for community mental health centers.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) This structural changes of the DSH program provided in this bill also affect the distribution of DSH payments to individual hospitals, some of which are county or municipally-owned. Clarion and Wishard hospitals in Marion County are projected to have reduced aggregate DSH payments of approximately \$1.6 M in FY1999 payments and \$2.0 M in FY2000 payments due to the changes in this bill. However, these funds can be leveraged with the federal government in order to increase payments to other non-Marion County DSH hospitals by an aggregate \$2.8 M in FY99 and \$5.0 M in FY2000.

In addition, to the extent that DSH payments can be accelerated through administrative simplification as provided in the bill, DSH hospitals may be able to receive their payments sooner than they would otherwise.

State Agencies Affected: OMPP

Local Agencies Affected: County and Municipally-owned DSH Hospitals

Information Sources: Leah Mannweiler, Krieg, DeVault, Alexander, and Capehart, (317) 238-6222.