

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 3501 **STATUS:** B-Engrossed
SUBJECT: Non-contracting hospital reimbursement rates
GOVERNMENT UNIT AFFECTED: Department of Human Services
PREPARED BY: John F. Borden
REVIEWED BY: John C. Britton
DATE: June 8, 2007

	<u>2007-2009</u>	<u>2009-2011</u>
EXPENDITURES: See Comments		

EFFECTIVE DATE: January 1, 2008

GOVERNOR'S BUDGET: This bill is not anticipated by the Governor's recommended budget.

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.

COMMENTS: This measure requires fully capitated health plans that do not have a contract with a hospital to provide inpatient or outpatient hospital services under certain statutory provisions to reimburse non-contracting hospitals at 80 percent of their Medicare costs. This measure is repealed on January 2, 2010.

The Department of Human Services (DHS) states that this measure does not have a fiscal impact since it only affects the reimbursement rate between managed care plans and Diagnosis Related Grouping (DRG) hospitals. The Department further states that this measure would not change what the Department pays managed care organizations. DHS rate setting methodology is based on hospital cost to charge ratios which are not affected by the amount managed care organizations pay hospitals for their services.