2008 Special Session FISCAL ANALYSIS OF PROPOSED LEGISLATION Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 1065 STATUS: A-Engrossed

SUBJECT: Rural Health Clinic Reimbursements

GOVERNMENT UNIT AFFECTED: Department of Human Services

PREPARED BY: John F. Borden **REVIEWED BY:** John C. Britton

DATE: February 13, 2008

		2007-2009		2009-2011
EXPENDITURES:				
Personal Services – General Fund	\$	37,117	\$	63,628
Personal Services – Federal Funds	\$	37,114	\$	63,627
Services and Supplies – General Fund	\$	12,051	\$	17,059
Services and Supplies – Federal Funds	\$	12,045	\$	17,054
Special Payments- General Fund	\$	185,294	\$	
Special Payments- Federal Funds	\$	295,739	\$	
General Fund	_	234,462	_	80,687
Federal Funds		344,898		80,681
Total Funds	\$	579,360	\$	161,368
		2007-2009		2009-2011
REVENUES:				
Federal Funds – Title XIX – Medicaid	\$	344,898	\$	80,681
POSITIONS / FTE:				
Fiscal Analyst 2		1/0.58		1/1.00

EFFECTIVE DATE: On passage

INTERIM JOINT COMMITTEE ON WAYS AND MEANS: The budgetary impact of this bill was neither reviewed nor approved by the Interim Joint Committee on Ways and Means Committee and is not included in the omnibus budget bill to be introduced by the committee.

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.

ANALYSIS: Under this measure, a rural health clinic that receives a payment from a prepaid managed care health services organization (MCO) for services provided to a person eligible for health services under the Oregon Health Plan may report the payment to the Department of Human Services (DHS). The report must be made according to administrative rules to be adopted by the Department. DHS shall issue payment to the rural health clinic, within 45 days of receipt of the report, or within 30 days from the last day of the calendar month of receipt of the report, or whichever is later. Such payment shall be the difference between the total amount paid to the rural health clinic from an MCO plus other payers (i.e., third parties) on a claim and the amount due from the Department to the rural health clinic on the claim based on standards adopted by the Department. DHS is to adopt such standards by administrative rule as well as administrative rules for payments of claims when the Department is unable to determine the

amount of payment and unable to make payment to a rural health clinic within the aforementioned timeframes. The measure applies to rural health clinic claims on or after the effective date of this measure.

Under current federal law, the Department reimburses rural health clinics on a quarterly basis for the difference between what they are paid by MCOs and what they would have been paid had the rural clinic been reimbursed directly by the Department. These payments are typically made nine months in arrears. This measure would reduce this arreage from nine months to two months thereby accelerating DHS payments to rural health clinics. Of note is that MCOs are not required, either statutorily or administratively, to submit to DHS information about payments to rural health clinics. Therefore, DHS relies on rural health clinics to provide accurate reporting of such payments when determining the appropriate level of reimbursement.

DHS states that rural health clinics are designated by the U.S. Department of Health and Human Services, Center for Medicare and Medicaid Services.

DHS estimates the fiscal impact of this measure at \$579,360 Total Funds for 16 months of the 2007-09 biennium and \$161,368 for the 24 months of the 2009-11 biennium. Of these amounts, the General Fund requirement would be \$234,462 for the 2007-09 biennium and \$80,687 for the 2009-11 biennium. Federal Funds would be \$344,898 and \$80,681, respectively.

DHS states that the Department would require one additional permanent full-time Fiscal Analyst 2 position (0.58 FTE for 2007-09 and 1.00 FTE for 2009-11) to accommodate the increased workload associated with the auditing and reconciling of submitted reports and the timely processing of payments. DHS currently has an automated process for the receipt of information, but reconciliation of data issues, they believe, requires a new position. This would add a second position to DHS staff dedicated primarily to processing rural health clinic payments. The position would be hired in May of 2008. The federal match rate for position costs is 50% federal title XIX Medicaid funds.

The estimated payments to rural health clinics is based on an average monthly supplemental payment of \$68,719 and has a total cost of \$781,033 over the seven months of arrears during the 2007-09 biennium. The Department does not anticipate a fiscal impact related to payments to rural health clinics after the 2009-11 biennium at which time the Department's payments will adhere to the measure requirements and be only 45 days in arrears. The federal match rate is approximate 62% for these payments and whose source is federal title XIX Medicaid funds.

This measure currently has a subsequent referral to the Joint Committee on Ways and Means. This is appropriate at this time given the General Fund requirements of this measure and the Department's stated need for a new position authority.