

REVENUE: No revenue impact

FISCAL: Fiscal statement issued

Action:	Without Recommendation as to Passage and Be Referred to the Committee on Rules
Vote:	5 - 0 - 0
Yeas:	Bates, Kruse, Morrisette, Morse, Monnes Anderson
Nays:	0
Exc.:	0
Prepared By:	Robert Shook, Administrator
Meeting Dates:	3/31, 4/28

WHAT THE MEASURE DOES: Repeals the sunset provision on requirement that fully capitated health plans must pay 80 percent of Medicare rate for health services provided to plan enrollees by non-contracting hospitals.

ISSUES DISCUSSED:

- Governor's Recommended Budget would pay Diagnosis Related Group (DRG) hospitals at 72 percent of Medicare
- Contracting and non-contracting hospitals
- Rate setting methodology for hospitals

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Department of Human Services pays managed care organizations on a rate setting methodology based on a hospital cost to charge ratio, which is not affected by the amount the managed care organizations (MCO) pay hospitals for their services. Fully capitated health plans establish a reimbursement rate, through a formal contract, between the plan and Diagnosis Related Group (DRG) hospitals. For those plans that do not have a contract with DRG hospitals to provide inpatient and outpatient services, the rate has been 80 percent of the Medicare published rate.

Senate Bill 18 would repeal the sunset provision and keep the non-contract rate at 80 percent of Medicare. The 2009-2011 Governor's Recommended Budget is intended to pay DGR hospitals at 72 percent of Medicare for managed care plans.