MEASURE NUMBER: SB 18   **STATUS:** Original
SUBJECT: Repeals sunset on requirement that fully capitated health plans pay 80 percent of Medicare rate for services provided to plan enrollees by noncontracting hospital
GOVERNMENT UNIT AFFECTED: Department of Human Services
PREPARED BY: Kim To
REVIEWED BY: John Britton
DATE: March 30, 2009

	2009-2011	**2011-2013**
EXPENDITURES:		
See Analysis		

EFFECTIVE DATE: On Passage

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.

ANALYSIS: This measure repeals the sunset on requirement that 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.

The Department of Human Services (DHS) reports that this measure does not have a fiscal impact since it only affects the reimbursement rate between managed care plans and Diagnosis Related Group (DRG) hospitals. The Department 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.

Note that the Department's 2009-11 Governor's Recommended Budget intended to pay DRG hospitals at 72% of Medicare for managed care rates. Setting the non-contract rate at 80% could create an incentive for hospitals to not contract with Medicaid managed care plans, potentially creating a situation in which Medicaid managed care plans are forced to pay more for hospital services than what would be included in their capitation rates.