

2009 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 37 **STATUS:** A Engrossed
SUBJECT: Rural Health Clinics Reimbursements
GOVERNMENT UNIT AFFECTED: Department of Human Services
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REVIEWED BY: John Britton
DATE: April 15, 2009

	<u>2009-2011</u>	<u>2011-2013</u>
EXPENDITURES:		
General Fund		
Personal Services	\$	65,253
Services and Supplies	\$	17,034
Special Payments	\$	153,022
Total General Fund	\$	235,309
Federal Funds		
Personal Services	\$	64,713
Services and Supplies	\$	17,029
Special Payments	\$	257,444
Total Federal Funds	\$	339,186
Total Funds		
Personal Services	\$	129,966
Services and Supplies	\$	34,063
Special Payments	\$	410,466
Total Funds	\$	574,495
POSITIONS / FTE:		
Fiscal Auditor 2		1/1.00

EFFECTIVE DATE: January 1, 2010

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 requires the Department of Human Services to ensure that, on or after May 17, 2011, rural health clinics (RHC) receive full reimbursement within 45 days for health services provided to persons enrolled in prepaid managed care health services organizations. This bill takes effect 45 days prior to the start of the 2011-13 biennium.

Under current federal law, the Department reimburses rural health clinics on a quarterly basis for the difference between what they are paid by managed care health services organizations (MCO) and what they would have been paid had the rural clinic been reimbursed directly by the Department according to the Medicaid Prospective Payment System encounter rate. These payments are typically made nine months in arrears of the date of service. This measure would reduce this time from nine months to two

months. In order to comply to this two-month timeline, DHS would need to process each settlement twice, an initial settlement for interim payment and a final reconciliation payment, after all records are submitted for audit to ensure proper payments. 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 Centers for Medicare and Medicaid Services by the U.S. Department of Health and Human Services.

DHS estimates the fiscal impact of this measure at \$574,495 Total Funds for the 2011-13 biennium (\$235,309 General Fund and \$339,186 Federal Funds). Note that this fiscal is based on 2007-09 pricing. Using 2009-11 pricing would add \$70,000 Total Funds (\$26,000 General Fund) additional program expenditures due to medical inflation.

Currently, DHS has one position dedicated to processing RHC claims. The provisions of this bill, in practice, would double the workload because it requires DHS to process each settlement twice, an initial settlement for interim payment and a final reconciliation payment, after all records are submitted for audit to ensure proper payments. DHS reports that the Department would require one additional permanent full-time Fiscal Auditor 2 position (1.00 FTE) starting in 2011-13 biennium 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 the Department states that reconciliation of data issues requires staff. This position would be hired in July 2011. The federal match rate for position costs is 50% federal title XIX Medicaid funds.

The estimated payments to rural health clinics are based on an average monthly supplemental payment of \$58,638 and has a total cost of \$410,466 during the 2011-13 biennium. The Department does not anticipate a fiscal impact related to payments to rural health clinics after the 2011-13 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 approximately 60% for these payments. The funding source is federal title XIX Medicaid funds.

Note: This measure contains a General Fund requirement and stated need for new position authority for the 2011-13 biennium.