

Proposal to Amend ORS 411.439

End Suspension of Medicaid for Eligible Patients at Oregon State Hospital

Legislative Concept #196

BACKGROUND

Federal law prohibits institutions for mental disease (IMDs) from receiving federal reimbursements for services. Currently, ORS 411.439 suspends eligible patients Medicaid enrollment for the duration of their stay at Oregon State Hospital (OSH). Oregon is one of the few states to suspend Medicaid enrollment for patients in state hospitals, and OSH is the only IMD in Oregon to which the law applies.

PROPOSAL

- Amend the law to maintain Medicaid enrollment throughout hospitalization at Oregon State Hospital (OSH), as long as they continue to be eligible
- OSH will bill Medicaid for the services it provides to eligible patients, fully expecting the claim to be denied for payment because of the IMD exclusion

OUTCOMES – Or, why we want to bill for services when we know the claim will be denied

With this amendment, we would stop taking health care coverage away from patients. Instead, OSH would be the entity determined ineligible for payment, *not* the individual. This is how all other IMDs work throughout Oregon.

Benefits for patients

- **Continuity of care** – Many providers will not accept new clients without proof of insurance, and many OSH patients require services immediately after discharge from the hospital. So, seamless health care coverage is essential for successfully transitioning to a community placement.
- **Protection from collection activities** – Oregon statutes require OSH to bill patients for their care; however, the law has an exemption for people enrolled in federally recognized low-income programs. By maintaining patients' enrollment in Medicaid, they are protected from aggressive collection activities after they are discharged from the hospital.
- **Individual mandates** – In instances of an individual mandate for health care coverage, continuous Medicaid enrollment will ensure they are not penalized or fined.

Benefits to OSH and Oregon

- **Patients who are dual-eligible for Medicaid and Medicare** – Billing and receiving payment denial provides the “proof of indigency” OSH needs to claim “bad debts” for reimbursement from Medicare. This means OSH could be reimbursed for approximately 65 percent of each dual-eligible patient's cost of care – estimated at \$6-10 million per year – which reduces the hospital's need for General Fund.
- **Billing enables OSH to track its Medicaid Inpatient Utilization Rate (MIUR)**, which is used in state and federal forecasting. This, in turn, can be used to calculate future disproportionate share hospital (DSH) reimbursement rates.

