

MAR 12 1997

HUMAN RESOURCES

HOUSE FILE 560
BY BRAND

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the reimbursement of certain providers of
2 services under the medical assistance program.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 560

1 Section 1. NEW SECTION. 249A.18 COST-BASED REIMBURSEMENT
2 -- RURAL HEALTH CLINICS -- ESSENTIAL COMMUNITY PROVIDERS.

3 Rural health clinics and essential community providers
4 shall receive cost-based reimbursement for the provision of
5 services to recipients of medical assistance, subject to
6 limitations and exclusions based on federal law and
7 regulations as determined by the director.

8 For the purposes of this section, "essential community
9 provider" means a provider, under the medical assistance
10 program who provides a disproportionate share of services to
11 populations which would otherwise not have health benefits
12 coverage or would be underserved in terms of the receipt of
13 health care, as designated by rule of the department.

14 EXPLANATION

15 This bill requires that rural health clinics and essential
16 community providers, as defined in the bill, are to receive
17 cost-based reimbursement for services provided under the
18 medical assistance program.

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**HOUSE FILE 560
FISCAL NOTE**

A fiscal note for HF 560 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 560 requires that rural health clinics and essential community providers are to receive cost-based reimbursement for services provided under the Medical Assistance Program.

ASSUMPTIONS

1. Rural health clinics and federally qualified health clinics are currently reimbursed on a cost-based determination. There is no fiscal impact for these providers as a result of HF 560.
2. Other essential community providers, as listed below, are currently reimbursed on a fixed rate which in FY 1997 was estimated by the Department of Human Services to be 60.0% of actual costs.
3. Without a cost determination system established for essential community providers, it is unknown what costs would be considered appropriate for essential community providers. For example, how much cost would a dentist report for personal salary?
4. Administration costs would be required for annual reviews of 3,000 provider cost reports, assuming a 50.0% State responsibility to pay for administrative cost reviews at \$100 per review, for a total of \$150,000 State fiscal impact.
5. Cost-based reimbursement systems experience an increased annual growth rate higher than that available to essential community providers. This estimate assumes an annual 6.0% growth rate for FY 1998 and beyond.
6. State and federal shares of the additional reimbursement are based on the FY 1999 Financial Participation Rate for Medical Assistance expenditures.

FY 1997 Reimbursement of Essential Community Providers

| <u>Service Category</u> | <u>FY 1997 Fees Paid</u> |
|-------------------------|--------------------------|
| Audiologist | \$ 108,510 |
| Dental | 19,365,910 |
| Optometric | 4,181,321 |
| Chiropractic | 1,556,315 |
| Podiatry | 1,331,531 |
| Hearing Aid Supplies | 403,513 |
| Podiatry Supplies | 967 |
| Audiology Supplies | 1,144,491 |
| Orthopedic Supplies | 97,259 |
| EPSDT Centers | 2,244,895 |
| Total FY 1997 Fees | <u>\$ 30,434,712</u> |
| Total FY 1997 Costs | <u>50,724,520</u> |
| HF 560 Rate Increase | |

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(at FY 1997 Cost)

\$ 20,289,808**FISCAL IMPACT**

The fiscal impact of HF 560 is as follows:

Fiscal Impact of HF 560
(dollars in thousands)

| | <u>FY 1999</u> | <u>FY 2000</u> |
|----------------------------|-------------------|-------------------|
| <u>EXPENDITURES</u> | | |
| Rate Increase | | |
| Federal | \$ 14,461 | \$ 15,329 |
| State | 8,337 | 8,837 |
| Admin. Reviews | 150 | 150 |
| Total Funds | <u>\$ 22,948*</u> | <u>\$ 24,316*</u> |
| | | |
| Total State Share | \$ 8,487 | \$ 8,987 |

*Estimate assumes an annual 6.0% growth increase for FY 1998 and beyond.

SOURCE

Department of Human Services

(LSB 2616hh, MMB)

FILED FEBRUARY 24, 1998

BY DENNIS PROUTY, FISCAL DIRECTOR