

October 1, 2004

HEALTH CARE ACCESS IMPROVEMENT PROGRAM

Summary

[Senate Substitute for HB 2912](#) and [House Substitute for SB 12](#) established the Health Care Access Improvement Program (HCAIP), which uses an annual assessment on inpatient services provided by hospitals and on non-Medicare premiums collected by health maintenance organizations (HMOs) to improve and expand health care in Kansas for low income persons. The assessment paid by hospitals and HMOs is used as state match to draw down additional federal funding at a match rate of approximately 40.0 percent state dollars and 60.0 percent federal dollars.

While the expenditure of these funds may be limited by appropriations, the 2004 Legislature created the Health Care Access Improvement fund as a no limit fund in the Department of Social and Rehabilitation Services. The HCAIP administers and determines the disbursements from the fund within guidelines set forth in the enacting legislation. The panel consists of three members appointed by the Kansas Hospital Association with the chairman selected from those three appointees, two members licensed to practice medicine and surgery appointed by the Kansas Medical Society, one representative of Social and Rehabilitation Services—appointed by the Governor, one member appointed by an HMO, and one member appointed by the Kansas Association for the Medically Under Served. The panel reports annually to the Legislature.

The assessment revenues and federal match for FY 2005 are estimated to be \$55.6 million all funds, half of the original fiscal note of \$111.3 million all funds for this program. The reduced estimate for FY 2005 assumes approval of the program by Centers for Medicare and Medicaid Services (CMS) in the fall of 2004, with the program beginning January 2005. However, if CMS approves the program at an earlier date, it is possible for the program to begin in July 2004.

Hospital Provider Assessment Revenues

Hospital providers that are state agencies, state educational institutions, or critical access hospitals would be exempt from the assessment. The state mental health hospitals and developmental disability hospitals would also be exempt. The assessment for eligible hospitals will be 1.83 percent of net inpatient revenue for each hospital based on the hospital's 2001 fiscal year, due only after the hospital has received 150 days of increased rates. If the hospital does not have a complete 12 month 2001 fiscal year, the assessment would be \$200,000. The annual revenue estimates are as follows:

<u>Estimated Annual Hospital Revenue</u>	
Assessment Revenue	\$ 35,000,000
Federal Match	<u>52,500,000</u>
TOTAL	<u><u>\$ 87,500,000</u></u>

The HCAIP requires the approval of the CMS before it can be implemented. The revenue estimate for FY 2005 for the hospital providers is half of the annual projected revenues, or \$43.8 million all funds, based on an estimated start date for the program of January 2005.

Not less than 80.0 percent of the funds collected from hospital assessments will be disbursed to hospital providers through a combination of Medicaid access improvement payments and increased Medicaid rates on designated diagnostic-related groupings, procedures, and codes. For FY 2005, this would result in not less than \$35.0 million all funds in increased payments to hospital providers.

Not more than 20.0 percent of the funds collected from hospital assessments will be disbursed to doctors or dentists through increased Medicaid rates on designated procedures and codes. This will result in not more than \$8.6 million all funds in increased payments to physicians in FY 2005.

Not more than 3.2 percent of the funds collected from hospital assessments will be used to fund health care access improvement programs in undergraduate, graduate, or continuing medical education, including the medical student loan act. This will result in not more than \$1.4 million all funds for medical education in FY 2005.

Health Maintenance Organization Assessment

The assessment for HMOs would be 5.9 percent of net revenue. The assessment would be subject to approval of a state plan amendment by the CMS. The annual revenue estimates are as follows:

<u>Estimated Annual HMO Revenue</u>	
Assessment Revenue	\$ 9,500,000
Federal Match	<u>14,250,000</u>
TOTAL	<u><u>\$ 23,750,000</u></u>

As with the hospital assessment, the HMO provider assessment revenues are estimated to be half of the annual revenue, or \$11.9 million all funds in FY 2005.

Not less than 53.0 percent of the funds collected from HMO assessments will be disbursed to HMOs that have a contract with SRS through increased Medicaid capitation rates. This will result in not less than \$6.3 million all funds in increased rates in FY 2005.

Not more than 30.0 percent of the funds collected from HMO assessments will be disbursed to fund activities to increase access to dental care, primary care safety net clinics, increased Medicaid rates on designated procedures and codes for providers who are persons licensed to practice dentistry, and home and community-based services. This will result in not more than \$3.6 million all funds for other medical services in FY 2005.

Not more than 17.0 percent of the funds collected from HMO assessments will be disbursed to pharmacy providers through increased Medicaid rates. This will result in not more than \$2.0 million in increased rates for pharmacy providers in FY 2005.