

Department of Human Services 2009-11 Policy Option Package

Division Name: Division of Medical Assistance Programs

Program Name: Oregon Health Plan

Policy Option Package Initiative: Vulnerable Oregonians Have Access to Health Care

Policy Option Package Title: Change In Reimbursement Methodology For Diagnosis-Related Group (DRG) Hospitals

Policy Option Package Number: 301

Related Legislation: Not Applicable

Summary Statement:

This package proposes a new method of figuring reimbursement for the state's largest, or DRG, hospitals. This is needed because when the hospital provider tax for OHP-Standard sunsets in October 2009, reimbursement inequities (the federal government is unlikely to approve them) and reductions will result. General Fund with federal match would be used. Insufficient reimbursements of these hospitals' costs would result in greater shift of uncompensated costs to private-pay patients and those with commercial insurance.

1. WHAT WOULD THIS POLICY OPTION PACKAGE (POP) DO AND HOW WOULD IT BE IMPLEMENTED?

This POP would reestablish a reimbursement methodology that uses state General Fund for both outpatient and inpatient services for DRG hospitals. It would take effect after October 1, 2009, when the hospital provider tax sunsets. A DRG hospital is a large urban hospital that is reimbursed based on a system developed by the federal Centers for Medicare and Medicaid Services (CMS) that classifies hospital care into one of approximately 999 groupings called “Medicare Diagnosis Related Groups (DRGs).” The new methodology would change hospital inpatient rates to a uniform 70 percent of 2008 Medicare rates and outpatient rates to 70 percent of cost.

2. WHY DOES DHS PROPOSE THIS POP?

The Oregon Health Plan (OHP) Standard program is funded solely by hospital and Medicaid managed care plan provider taxes and federal matching funds, plus a small amount of revenue from client premiums. Currently, no state General Funds are used. The hospital provider tax also covers the enhanced DRG hospital reimbursement currently in place. Beginning October 1, 2009, however, the state will no longer have legislative authority to levy the hospital provider tax. DHS is, therefore, proposing to reestablish a funding methodology that does not use hospital provider tax revenues. The new methodology would use state General Fund, decrease rates from their current enhanced level, but increase DRG hospital reimbursement rates from their pre-provider tax levels, create greater equity among all DRG hospitals and serve to maintain access to care for OHP clients.

3. HOW DOES THIS FURTHER THE AGENCY’S MISSION OR GOALS?

This POP directly addresses the DHS mission to “keep Oregonians healthy, safe and independent” by contributing to improved health outcomes and quality of care for Oregon Health Plan clients.

It also supports the Vision, “Better outcomes for clients and communities through collaboration, integration and shared responsibility.”

4. IS THIS POP TIED TO A DHS PERFORMANCE MEASURE? IF YES, IDENTIFY THE PERFORMANCE MEASURE. IF NO, HOW WILL DHS MEASURE THE SUCCESS OF THIS POP?

While not directly connected, this POP relates to DHS Key Performance Measure 25, ROUTINE HEALTH CARE PROVIDED TO OHP CLIENTS – The proportion of Oregon Health Plan clients provided routine health care services annually.

5. DOES THIS POP REQUIRE A CHANGE(S) TO AN EXISTING STATUTE OR REQUIRE A NEW STATUTE? IF YES, IDENTIFY THE STATUTE AND THE LEGISLATIVE CONCEPT.

No

6. WHAT ALTERNATIVES WERE CONSIDERED AND WHAT WERE THE REASONS FOR REJECTING THEM?

These alternatives were considered:

- The state could continue the current reimbursement levels of 100 percent of 2004 Medicare rates for inpatient services and 80 percent of cost for outpatient services; however, this would require even more General Fund than proposed in this POP.
- The state could revert to the pre-hospital tax rates of 47.4 percent to 70.8 percent (varies by hospital) of 2004 Medicare rates for inpatient services and 59 percent of cost for outpatient services; however, it is unlikely CMS would approve rates with the inequity present in the pre-hospital tax rates.
- The state could recalibrate inpatient rates based on the available revenue, establishing a new percentage of Medicare rates for inpatient services and apply that percentage to all hospitals to achieve equity among hospitals; however, this would mean a significant number of hospitals would have their rates reduced below the levels they were paid before they voluntarily agreed to be taxed.
- The last option considered was a continuation of the hospital provider tax to pay for enhanced reimbursement; this is outside the current agreement of legislative leadership, DHS leadership and hospitals.

7. WHAT WOULD BE THE ADVERSE EFFECTS OF NOT FUNDING THIS POP?

Not funding this POP would cause a significant decrease in reimbursement to the DRG hospitals, a potential result of reduction in service levels and, ultimately, diminished access to health care for OHP clients. Insufficient reimbursement would shift the hospitals' costs to other patients, including those with commercial insurance and private payers.

8. WHAT OTHER AGENCIES (STATE, TRIBAL AND/OR LOCAL GOVERNMENT) WOULD BE AFFECTED BY THIS POP? HOW WOULD THEY BE AFFECTED?

None

9. WHAT ASSUMPTIONS AFFECT THE PRICING OF THIS POP?

Implementation Date(s): October 1, 2009

End Date (if applicable): Ongoing

a. Will there be new responsibilities for DHS? Specify which division(s) and describe their new responsibilities.

- | | |
|---|---|
| <input type="checkbox"/> Administrative Services | <input type="checkbox"/> Addictions and Mental Health |
| <input type="checkbox"/> Children, Adults and Families | <input type="checkbox"/> Public Health |
| <input checked="" type="checkbox"/> Division of Medical Assistance Programs | <input type="checkbox"/> Seniors and People With Disabilities |

No. The change will not add new responsibilities.

b. Will there be new administrative impacts sufficient to require additional funding? Specify which office(s) and describe how it will be affected.

- | | |
|---|--|
| <input type="checkbox"/> Human Resources | <input type="checkbox"/> Payment Accuracy and Recovery |
| <input type="checkbox"/> Information Security/Privacy | <input type="checkbox"/> Investigations and Training |
| <input type="checkbox"/> Document Management | <input type="checkbox"/> Facilities |
| <input type="checkbox"/> Audit and Consulting | <input type="checkbox"/> Contracts and Procurement |
| <input type="checkbox"/> Information Services (computers) | <input type="checkbox"/> Budget, Planning and Analysis |
| <input type="checkbox"/> Financial Services (accounting) | <input type="checkbox"/> DHS Office of Communications |

The administrative impacts are not significant enough to result in a fiscal impact to any area.

c. Will there be changes to client caseloads or services provided to population groups? Specify how many in each relevant program.

No

d. Will it take new staff or will existing positions be modified? For each classification, list the number of positions and the number of months the positions will work in each biennium. Specify if the positions are permanent, limited duration or temporary.

No

e. What are the start-up costs, such as new or significant modifications to computer systems, new materials, outreach and training?

DHS would have to update the new rates in the system, but no costs would be incurred.

f. What are the ongoing costs?

The General Fund portion of the reimbursement

g. What are the potential savings?

None

h. Based on these answers, is there a fiscal impact?

Yes

i. What are the sources of funding and the funding split for each one? Include grant names and fund type, such as “Medicaid, General and Federal Funds.”

Federal Title XIX Medicaid funds (63.02%) and state General Fund (36.98%) and Title XXI.