

Legislative Analysis



Governmental Nursing Home QAAP & QAAP Sunset

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House Bill 5055

Sponsor: Rep. Caswell

Committee: Appropriations

First Analysis (August 29, 2005)

BRIEF SUMMARY: Currently the Public Health Code allows the Department of Community Health to assess a quality assurance assessment fee for nursing homes and hospital long-term care units, excluding governmentally owned nursing homes. House Bill 5055 would amend the code to include governmentally owned nursing homes in the assessment. The current assessment cannot result in more than 6% of the total industry revenues. The amending language also extends the sunset date for the collection of the assessment from October 1, 2007 to October 1, 2008. Additionally, language would allow the Department to retain \$21,900,000 of the assessment in FY 2005 to be appropriated for long term care services and \$42,400,000 of the assessment in FY 2006 to be appropriated within the hospital services and therapy appropriation line.

FISCAL IMPACT: In recent years, Michigan has established several health care provider assessment programs as a means to provide Medicaid rate increases for hospitals, nursing homes, and health maintenance organizations and leverage additional federal Medicaid matching funds. These initiatives are also referred to as Quality Assurance Assessment Programs (QAAP).

Under these financing arrangements, a tax is imposed by the State on a broad class of health care providers and the revenues are appropriated in the Community Health budget to fund increases in the payment rates for Medicaid funded services. Because the state funds allocated in this manner qualify for federal Medicaid matching funds, the result is a very significant increase in the Medicaid payment rates. In addition, Michigan also retains a portion of the QAAP revenue to offset State GF/GP that otherwise would be required to fund the Medicaid program.

Provider assessments require federal approval and must comply with the following legal requirements:

- the assessment must be broad based and uniformly imposed on an entire class of providers;
- the assessment must be the same for all providers within the same group of providers; and
- the assessment cannot include a hold harmless provision to repay the provider for the fee paid.

The net impact of the assessment fee varies for each facility based on the volume of Medicaid services it provides. Those that serve a high volume of Medicaid patients receive the most benefit while those that provide a smaller percentage of Medicaid services, receive less benefit. In fact, some providers may pay a higher tax than they receive in the form of higher Medicaid

patients. Within the federal restrictions that apply, Michigan has sought to minimize the potential losses for those facilities that provide fewer Medicaid services.

Preliminary estimates provided by the Department indicate that by allowing the county-run medical care facilities to participate in the nursing home QAAP, the net gain of \$34.1 million may be realized by these facilities.

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