

Legislative Analysis



HOSPITAL QUALITY ASSURANCE ASSESSMENT PROGRAM (QAAP)

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House Bill 5834

Sponsor: Rep. Gary McDowell

House Committee: Appropriations

Complete to May 6, 2008

A SUMMARY OF HOUSE BILL 5834 AS INTRODUCED

House Bill 5834 would amend the Public Health Code to update provisions of the quality assurance assessment program (QAAP) for hospitals related to the amount retained by the State to offset GF/GP funds for Medicaid.

The bill would increase the amount of hospital QAAP revenue that can be retained by the State from \$66,400,000 in FY 2007-08 to \$83,850,000. The bill would also allow the State to retain \$98,850,000 of QAAP revenue rather than \$83,850,000 in FY 2007-08 if the State receives approval from the Centers for Medicare and Medicaid Services to increase Medicaid health plan payment rates that increase payments to hospitals by more than \$120,000,000 in FY 2007-08. The proposed changes are consistent with the funding levels appropriated in the Department of Community Health budget in this fiscal year.

FISCAL IMPACT:

Beginning in 2002, Michigan established the quality assurance assessment programs as a means to provide Medicaid rate increases for hospitals, nursing homes, and managed care organizations and leverage additional federal Medicaid matching funds. Under the QAAP, a tax is imposed by the State on a broad class of health care providers and the revenues are appropriated in the Department of Community Health budget to finance increases in the payment rates for Medicaid funded services. Because the state funds allocated in this manner qualify for federal Medicaid matching funds, the Medicaid reimbursement increase provided exceeds the total amount of revenue collected through the assessment.

The net financial impact of the QAAP varies for each health care organization or 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. For some health care providers, the assessment may be greater than the additional Medicaid reimbursement they receive.

Michigan also retains a portion of the QAAP revenue to offset State GF/GP that otherwise would be required to fund the Medicaid program. The FY 2007-08 hospital QAAP State retained amounts were mentioned above. The net provider benefit to the hospital system resulting from the quality assurance assessment program in FY 2007-08 is estimated to be \$514.6 million.

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