

Legislative Analysis



ESTABLISH QUALITY ASSURANCE ASSESSMENT ON PHYSICIANS

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5386 (H-3)

Sponsor: Rep. George Cushingberry, Jr.

Committee: Tax Policy

Complete to 10-6-09

A SUMMARY OF HOUSE BILL 5386 (H-3)

The bill would establish a new quality assurance assessment on physicians licensed to engage in the practice of medicine or osteopathic medicine and surgery. The assessment would equal 3% of the gross revenue of the physician or an entity related to a physician. The Department of Community Health would be required to administer the assessment in a manner that allowed assessment revenue qualifies for federal Medicaid matching funds, and requires the DCH to cease the assessment if the revenue no longer qualifies for federal matching funds. The assessment and all federal matching funds would be used to finance Medicaid physician services reimbursement payments and to implement, administer, and enforce the bill's provisions.

The Department of Community Health would be responsible for administering the assessment, and physicians or entities related to a physician would be required to submit annual statements with the DCH along with the payment of any assessment due. If assessment liability for the tax year is reasonably expected to be \$2,000 or more, quarterly statements and payments equivalent to 25% of the estimated annual assessment would be required, allowing for necessary adjustments to correct for previous overpayments and underpayments.

Assessments would only be applied to gross revenue received for physician services provided in this state. The DCH would determine this apportionment if the apportionment can not be determined by separate accounting methods. The bill allows for the deduction of bad debts from the gross revenue used for computation of the assessment.

The bill requires the Department of Community Health to increase Medicaid physician services reimbursement rates for FY 2009-10, and to maintain the increased rates that are financed by the assessment. The bill also the state to retain assessment revenue in an amount equal to 13.2% of the federal funds generated by the total assessment (see "Fiscal Impact" below for further discussion). This retainer would be appropriated to support Medicaid expenditures for physician services and offset an identical amount of general fund/general purpose revenue. An amount equal to this offset GF/GP revenue would then be credited to a new Michigan Health Care Rebate Fund to be administered by the

Department of Treasury. For FY 2009-10, revenue from the new fund could be would be expended by the DCH, upon appropriation, only for the purpose of Medicaid provider rates, non-Medicaid community mental health programs, or the Healthy Michigan Fund's podiatric and dental services programs. Beginning in FY 2010-11, revenue from the new fund could be spent, upon appropriation, on any DCH program.

Failure or refusal to file a quarterly or annual statement or to payment the imposed assessment could result in a penalty of 5% of the assessment for each month for which the assessment and penalty are not paid up to a maximum of 50% of the assessment. Past due amounts can also be referred to the Department of Treasury for collection. The bill establishes joint and several liability for the filing of required statements and payment of imposed assessments and other requirements for each physician who has an ownership interest in an entity related to a physician.

Finally, the bill clarifies that the provisions apply to physician services provided by an entity related to a physician that is owned in whole or in part by a hospital, a health maintenance organization, a nonprofit health care corporation, or any other public or private entity.

FISCAL IMPACT:

The 3% quality assurance assessment established in the bill would generate an estimated \$300 million in revenue. Assuming a FY 2009-10 federal Medicaid match rate of 73.27%, the assessment is sufficient to leverage an additional \$822.3 million in federal Medicaid revenue.

The bill allows for a state retainer equal to 13.2% of the amount of leveraged federal revenue, which amounts to around \$108.5 million. This retainer amount would offset \$108.5 million in existing GF/GP financing in the DCH budget for physician services. This revenue would be deposited into the newly created Michigan Health Care Rebate Fund for the purposes outlined in the summary section above.

The remaining \$191.5 million in assessment revenue would be used to increase Medicaid physician services reimbursement rates. The \$191.5 million in assessment revenue would be matched by another \$524.8 million in federal Medicaid funding to generate total additional Medicaid payments to physicians of \$716.2 million, an estimated 76% increase over current reimbursement levels. This increase should be sufficient in FY 2009-10 to raise Medicaid physician services reimbursement rates to federal Medicare levels, which represent the maximum Medicaid reimbursement rates allowed under federal law.

These figures assume full-year implementation of the assessment. If implementation is delayed for a portion of FY 2009-10, the GF/GP savings from the state retainer would be

reduced, and the Medicaid rate increases noted above would be delayed until implementation.

In addition, the figures for FY 2009-10 are based on the current enhanced federal Medicaid match rate that resulted from the federal stimulus act. Beginning in the second quarter of FY 2010-11, the stimulus-related increase in the match rate will be eliminated. This will reduce the GF/GP savings from the state retainer in future years, and will reduce the reimbursement rate that can be supported through the assessment revenue.

Fiscal Analyst: Bob Schneider

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