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MARY FALLIN
GOVERNOR

STATE OF OKLAHOMA
OKLAHOMA HEALTH CARE AUTHORITY

Agenda
Rates & Standards Hearing
June 08, 2011
10:00 A.M.
PONCA CONFERENCE ROOM

Provider assessment to be addressed:

- Supplemental Hospital Offset Payment Program (SHOPP)

Oklahoma Health Care Authority
Finance Division
Presentation to the State Plan Reimbursement Committee
Supplemental Hospital Offset Payment Program Funded by Provider Assessments
Hearing Date-June 8, 2011

Background

A provider assessment is a method of collecting revenue from specified categories of providers. Provider assessments are used as a mechanism to generate new state funds and are used to match federal funds. The additional revenues allow states to increase provider reimbursements. Oklahoma currently imposes provider assessments on Nursing Facilities and Intermediate Care Facilities for the Mentally Retarded based on a percentage of patient revenue.

House Bill 1381, signed by the Governor on May 13, 2011, creates a Supplemental Hospital Offset Payment Program (SHOPP). The bill will create new law at Title 63 Okla. Stat. §§ 3241.1- 3241.6 (2011). Upon Federal approval by the Centers for Medicare and Medicaid Services (CMS) of the resulting State Plan Amendments, the Oklahoma Health Care Authority (OHCA) will be authorized to assess and collect a hospital provider fee.

Before the state law can be effective, OHCA must seek an approval of the assessment from the federal government based on the provisions of 42 U.S.C. § 1396(b)(w)(1).

Rate Methodology for the Supplemental Hospital Offset Payment Program

The rate methodology for the Supplemental Hospital Offset Payment Program (SHOPP) is driven largely by the new law created at 63 Okla. Stat. § 3241.1-3241.6 (2011). The methodology involves excluding certain hospitals exempt under state law. Based upon 2009 cost reports, which is the base year for the determining which Oklahoma licensed hospitals are included and excluded, 75 hospitals will be included in the fee assessment and approximately 74 hospitals will be excluded from the fee assessment.

All hospitals included in the fee assessment will pay a 2.5% fee based on 2009 net patient revenue as defined by state law.

As an important first step in creating the methodology OHCA must determine its total payments in 2010 to all hospitals as well as the 2010 Medicare Upper Payment Limit Gap (UPL); that is the gap between the payments made and the federal upper limit of payment. This item will be noted in this paper below.

Participating hospitals that pay into the SHOPP fund (at 2.5% of net patient revenue) will be eligible for supplemental Medicaid payments for inpatient and outpatient services. SHOPP assessments will be matched with federal dollars after approval by the CMS. In addition, the state law requires supplemental payments to be made to Critical Access hospitals that are paid less than 101 percent of Medicare cost for Medicaid services. At this time OHCA has determined 34 Oklahoma licensed hospitals are critical access hospitals. Payments will be made on a quarterly basis. Each participating hospital will receive a pro rata share of the assessment fund based on the hospital's Medicaid payments for services divided by the total Medicaid payments to all participating hospitals; however the UPL cannot be exceeded.

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The funds collected will be deposited into a revolving fund in the State Treasury designated as the SHOPP Fund, and will be used to support hospital reimbursement.

2010 Total Medicaid Payments

After a review of Medicaid outlays to hospitals in state fiscal year 2010, OHCA has determined that hospitals were paid \$710,300,00.00 (710.3 million dollars).

2010 Upper Payment Limit Gap

Under CMS regulations, States are allowed to pay hospitals up to the amount Medicare would pay under comparable circumstances. Based on federal fiscal year 2010 data, Oklahoma hospitals could be paid up to approximately \$1.1 billion under this methodology. This is the 2010 Medicare UPL. The OHCA has determined that subtracting the UPL from the total Medicaid payments leaves a "gap" of \$336,453,000.00 (336.4 million dollars). This dollar value sets the amount OHCA can pay hospitals eligible for SHOPP.

Budget Impact

The assessments are expected to generate approximately \$152 million for the state share to garner a federal match of about \$267 million for a total of \$419,509,000.00 (419.5 million dollars) for state fiscal year 2012. Of this \$419.5 million, \$336,453,000.00 (336.4 million dollars) would be paid to hospitals as supplemental payments.

Importantly \$83,056,000.00 (83.0 million dollars) of the assessments will be used to maintain current SoonerCare payments for all providers.

Effective Date

Dependent upon CMS approval.