

Fiscal Note

2023-2024 Legislative Session

HF2924 - 0 - Hospital Payment Rates Modified

Chief Author: **Kaohly Her**
 Committee: **Health Finance And Policy**
 Date Completed: **3/31/2023 8:31:27 PM**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
General Fund	-	12,248	16,229	17,513	18,871
Total	-	12,248	16,229	17,513	18,871
Biennial Total			28,477		36,384

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Steve McDaniel **Date:** 3/31/2023 8:31:27 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	12,248	16,229	17,513	18,871	-
Total		-	12,248	16,229	17,513	18,871
Biennial Total			28,477		36,384	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	12,248	16,229	17,513	18,871	-
Total		-	12,248	16,229	17,513	18,871
Biennial Total			28,477		36,384	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total			-		-	

Bill Description

Section 1 would update the methodology used to calculate the base inpatient rates for critical access hospitals and update the inflation factor both general hospitals and critical access hospitals. The updated inflation factor reflects the change in costs between the base year and the period for which the rates are being set. It also allows for continued use of multiple years as the base year in the instance where insufficient data is available and prohibits years where a public health emergency reduces inpatient utilization from being used as base years in payment calculations. Additionally, section 1 requires that any changes in payments per inpatient discharge due to rebasing be made available to the legislature by January 15 of the year the change is scheduled. Finally, it updates the payment rates for critical access hospitals and sets a minimum payment rate of 100% of their base year costs.

Assumptions

The effective date is assumed to be July 2023.

This bill would increase hospital payment rates. Specifically, it would a) change the base payment rate for Critical Access Hospitals (CAHs) from 3 tiers of base year costs to set all CAHs at 100% of base costs, and b) increase the inflation factor for the inpatient hospital rebasing scheduled for July 2023.

Based on hospital cost data, it is estimated that the change in Critical Access Hospital (CAH) base costs would increase payments to CAHs by about \$3.5 million per year. It is estimated that the proposed inpatient hospital rebasing changes would increase the inflation factor for the July 2023 rebase to 15.8% from the 5.7% factor that is assumed in the forecast, implying an increase of 10.1%.

Expenditure and/or Revenue Formula

		FY 2024	FY 2025	FY 2026	FY 2027
Months of fiscal effects:					
Managed care		10	12	12	12

February 2023 Forecast		FY 2024	FY 2025	FY 2026	FY 2027
Medical Assistance					
FFS inpatient hospital payments					
MA Elderly and Disabled		\$108,840,327	\$109,844,041	\$118,203,747	\$120,056,026
MA Adults without Kids		\$122,371,449	\$125,248,651	\$127,395,041	\$138,637,984
MA Families with Children		\$137,616,782	\$166,826,681	\$184,231,124	\$207,793,195
Medical Assistance		FY 2024	FY 2025	FY 2026	FY 2027
Elderly and Disabled					
CAH base increase		\$572,774	\$687,329	\$687,329	\$687,329
Inpatient rebasing payment change		\$9,208,936	\$11,163,668	\$12,007,999	\$12,195,079
Total cost (Elderly and Disabled)		\$9,781,710	\$11,850,997	\$12,695,328	\$12,882,408
Federal share %		51.49%	51.49%	51.49%	51.49%
Federal share		\$5,036,603	\$6,102,079	\$6,536,824	\$6,633,152
State Share		\$4,745,108	\$5,748,919	\$6,158,503	\$6,249,256
Adults Without Children					
CAH base increase		\$895,192	\$1,074,231	\$1,074,231	\$1,074,231
Inpatient rebasing payment change		\$10,374,942	\$12,758,611	\$12,975,396	\$14,110,934
Total cost (Adults)		\$11,270,134	\$13,832,842	\$14,049,627	\$15,185,164
Federal share %		90.00%	90.00%	90.00%	90.00%
Federal share		\$10,143,121	\$12,449,557	\$12,644,664	\$13,666,648
State Share		\$1,127,013	\$1,383,284	\$1,404,963	\$1,518,516
Families With Children					
CAH base increase		\$1,439,534	\$1,727,440	\$1,727,440	\$1,727,440
Inpatient rebasing payment change		\$11,703,907	\$17,023,966	\$18,781,815	\$21,161,584
Total cost (Families)		\$13,143,440	\$18,751,407	\$20,509,255	\$22,889,025
Federal share %		51.49%	51.49%	51.49%	51.49%
Federal share		\$6,767,557	\$9,655,099	\$10,560,216	\$11,785,559
State Share		\$6,375,883	\$9,096,307	\$9,949,040	\$11,103,466
Fiscal Summary - State Share		FY 2024	FY 2025	FY 2026	FY 2027
Elderly and Disabled		\$4,745,108	\$5,748,919	\$6,158,503	\$6,249,256
Adults without Children		\$1,127,013	\$1,383,284	\$1,404,963	\$1,518,516
Families with Children		\$6,375,883	\$9,096,307	\$9,949,040	\$11,103,466
Total MA General Fund		\$12,248,004	\$16,228,510	\$17,512,506	\$18,871,238

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2024	FY2025	FY2026	FY2027

GF	33ED	MA Grants	4,745	5,749	6,159	6,249
GF	33AD	MA Grants	1,127	1,383	1,405	1,519
GF	33FC	MA Grants	6,376	9,096	9,949	11,103
		Total Net Fiscal Impact	12,248	16,229	17,513	18,871
		Full Time Equivalents	0	0	0	0

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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Date: 3/30/2023 6:37:26 PM

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