

Department of Planning and Budget

2002 Fiscal Impact Statement

1. **Bill Number** HB103

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Morgan

3. **Committee** House Appropriations

4. **Title** Funding policy for indigent health care services

5. **Summary/Purpose:** The bill establishes a funding policy for the Commonwealth with regard to support for indigent health care services provided by Virginia's three academic medical centers. The legislation declares that the Commonwealth shall appropriate 100 percent of the costs of the indigent health care services provided by or through the Virginia Commonwealth University Health System Authority (VCUHSA) and the University of Virginia Medical Center (UVAMC).

In addition, the bill establishes that it is the Commonwealth's policy to provide substantial assistance to meet the costs of indigent health care services provided by or through the faculty, students, and associated hospitals of the Medical College of Hampton Roads (established as an authority in the Acts of Assembly of 1964). The two public academic medical centers are required to submit estimates of the amounts needed for this purpose and the Medical College of Hampton Roads is required to submit such data and estimates as may be needed by the Director of the Department of Planning and Budget.

6. **Fiscal Impact Estimates are:** Preliminary

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2001-02			
2002-03	\$7,100,000		GF
2002-03	\$29,000,000		NGF
2003-04	\$33,225,000		GF
2003-04	\$8,675,000		NGF

7. **Budget amendment necessary:** Yes. Item 325 (Department of Medical Assistance Services) and Item 266 (Medical College of Hampton Roads).

8. **Fiscal implications:** For many years, the Commonwealth of Virginia has provided funding to support indigent health care through a combination of state (general) funds and federal (Medicaid) funds. The general fund dollars, which cover about 50 percent of the indigent care costs provided by the two teaching hospitals (Virginia Commonwealth University Health System Authority and the University of Virginia Medical Center), are appropriated directly to the Department of Medical Assistance Services (DMAS). In turn, DMAS uses the general fund monies as the state's match to obtain federal funds through the Medicaid Program to cover the remaining 50 percent of the total cost of indigent care services. Currently, the Medical College

Of Hampton Roads (MCHR) receives a direct general fund appropriation in each year of the biennium to support its indigent care services. This amount has not increased since 1994. The ability of the Commonwealth to fund the additional costs through the Medicaid Disproportionate Share Hospital (DSH) program is limited due to the federal DSH cap. The federal government has placed limits on the amount of federal funds available for DSH payments on an annual basis. Therefore, funds required to cover the cost of this bill would not be realized entirely from matching federal funds due to that DSH cap.

In FY 2003, the Department of Medical Assistance Services (DMAS) will certify the VCUHSA for \$25 million and UVAMC for \$4 million in costs and will utilize DSH funds to reimburse those costs without using general fund dollars. However, in FY 2004, there will not be sufficient DSH funds available to support those payments. This bill requires general fund dollars to reimburse any losses incurred by the facilities regarding their indigent care program. DMAS estimates that losses will be \$30.8 million and \$4.0 million for the VCUHSA and UVAMC, respectively. The estimated \$7.1 million per year for EVMS must be financed from the general funds since it does not qualify for the DSH matching funds.

Unknown factors: Many factors complicate the Commonwealth's ability to implement a funding policy that provides 100 percent of the cost of indigent health care services in future years. Consideration must be given to such items as changes in patient loads at the various medical centers, changes in federal legislation relative to disproportionate share funding, and the Commonwealth's financial state.

In addition, DMAS is currently appealing a \$74 million disproportionate share hospital disallowance with the Centers for Medicare and Medicaid Services (CMS). The above estimates assume that DMAS is successful. However, if the appeal is unsuccessful and the agency is directed to make the repayment, DMAS may be required to make the following payments: \$29 million (GF) in FY 2002, \$45.8 million (GF) in FY 2003, and \$46.1 million (GF) in FY 2004.

9. Specific agency or political subdivisions affected:

- Department of Medical Assistance Services
- University of Virginia Medical Center
- Virginia Commonwealth University Health System Authority
- Medical College of Hampton Roads (Eastern Virginia Medical School)

10. Technical amendment necessary: No

11. Other comments: None.

Date: 01/24/02/aps

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cc: Secretary of Finance

Secretary of Health and Human Resources

Secretary of Education