

Department of Planning and Budget

2002 Fiscal Impact Statement

1. Bill Number HB620

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

2. Patron Morgan

3. Committee Health, Welfare and Institutions

4. Title Reimbursement of Critical Care Hospitals

5. Summary/Purpose:

This bill provides, with funds appropriated for such a purpose, that the Board of Medical Assistance Services develop a program for the reimbursement of Medicaid allowable costs incurred by critical access hospitals as defined by the Code of Virginia. This bill proposes implementing a recommendation of the Joint Commission on Health Care.

6. Fiscal Impact Estimates are: Preliminary

6a. Expenditure Impact: (see Section 8)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2001-02	\$0	0.0	GF
2001-02	\$0	0.0	NGF
2002-03	\$377,390	0.0	GF
2002-03	\$389,351	0.0	NGF
2003-04	\$388,711	0.0	GF
2003-04	\$401,031	0.0	NGF

6b. Revenue Impact: None

7. Budget amendment necessary: Yes, Item 325, Subprogram 45609

8. Fiscal implications:

This bill proposes a retrospective method of payment. Adoption of a retrospective, cost-based method allows this class of hospitals to avoid the issue of dealing with costs associated with delivering care. The Department of Medical Assistance Services (DMAS) currently pays hospitals using a prospective methodology that is based on medical diagnosis-related groupings (DRGs). DRGs are used to reimburse hospitals based on the type of medical cases they are treating.

Medicare generally defines critical access hospitals (CAHs) as:

- Having no more than 15 acute care beds, 25 if 10 of the beds are "swing beds", which are defined as beds that can be used to provide acute care or long-term care services;
- Having an average length of stay of no more than 96 hours;
- Being at least 35 miles from another hospital, 15 miles if located in a mountainous terrain;
- Being certified by the state as a "necessary provider."

DMAS has identified two facilities in Bath and Giles counties that would be affected by this bill. However, the agency believes that three other facilities may be affected. The fiscal impact shown here assumes that all five facilities would be affected. To estimate the fiscal impact, DMAS compared the actual reimbursement for the five hospitals to their inpatient operating costs. The difference or "unreimbursed" costs were inflated three percent to determine the fiscal estimates for each year of the biennium. The resulting expenditure impact for FY2003 is approximately \$766,741 (\$377,390 GF) and for FY2004 the impact is \$789,742 (\$388,711 GF).

9. Specific agency or political subdivision affected: DMAS

10. Technical amendment necessary: No

11. Other comments: This bill is the companion to SB239.

Date: 01/18/02/sas

Document: g:\02gasession \02bills \dpbfiss\hb620.doc
cc:Secretary of Health and Human Resources