

Legislative Analysis



QUALITY ASSURANCE ASSESSMENT FEE SUNSET MEDICAID HMOs & SPECIALTY PREPAID HEALTH PLANS

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

House Bill 5249

Sponsor: Rep. Matt Gillard

House Committee: Appropriations

Complete to September 24, 2007

A SUMMARY OF HOUSE BILL 5249 AS INTRODUCED

House Bill 5249 amends the Insurance Code of 1956 by extending the sunset date for the assessment and collection of the quality assurance assessment fees from October 1, 2007 to October 1, 2008. The fee is assessed on each Medicaid HMO and specialty prepaid health plan at 6% of non-Medicare premiums collected by the HMO and 6% of non-Medicare capitation payments collected by the Medicaid managed care organization, respectively.

FISCAL IMPACT:

Beginning in 2002, Michigan established the quality assurance assessment programs as a means to provide Medicaid rate increases for hospitals, nursing homes, and managed care organizations and leverage additional federal Medicaid matching funds. Under the QAAP, a tax is imposed by the State on a broad class of health care providers and the revenues are appropriated in the Department of Community Health budget to finance increases in the payment rates for Medicaid funded services. Because the state funds allocated in this manner qualify for federal Medicaid matching funds, the Medicaid reimbursement increase provided exceeds the total amount of revenue collected through the assessment.

The net financial impact of the QAAP varies for each health care organization or facility based on the volume of Medicaid services it provides. Those that serve a high volume of Medicaid patients receive the most benefit while those that provide a smaller percentage of Medicaid services, receive less benefit. For some health care providers, the assessment may be greater than the additional Medicaid reimbursement they receive.

Michigan also retains a portion of the QAAP revenue to offset State GF/GP that otherwise would be required to fund the Medicaid program. The FY 2007-08 Executive budget recommendation includes \$98.3 million retained from revenues generated by these health plan QAAPs. The net benefit to the Medicaid health plans in FY 2007-08 is estimated to be \$112.5 million.

Fiscal Analysts: Margaret Alston
Steve Stauff

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