

Legislative Analysis



HOSPITAL & NURSING HOME QUALITY ASSURANCE ASSESSMENT PROGRAMS (QAAP)

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House Bill 5834 (S-4)

Sponsor: Rep. Gary McDowell

House Floor

Complete to September 22, 2008

A SUMMARY OF HOUSE BILL 5834 (S-4) AS PASSED THE SENATE

House Bill 5834 (S-4) would amend the Public Health Code to specify that \$41,473,500 of nursing home QAAP revenue may be retained by the State to offset GF/GP support in FY 2008-09. This amount is consistent with the appropriations in the FY 2008-09 Department of Community Health enacted budget. New language in the bill states that after FY 2008-09 the annual State retained nursing home QAAP amount shall be equal to 13.2% of the federal funds generated by the nursing homes and hospital long-term care unit's annual quality assurance assessment.

The bill would also extend the sunset date for the hospital QAAP from September 30, 2008 to September 30, 2011. In addition, it increases the amount of hospital QAAP revenue that can be retained by the State from \$66,400,000 to \$98,850,000 in FY 2007-08, which is consistent with the funding levels appropriated in the Department of Community Health budget for the current fiscal year. After FY 2007-08, and continuing through the sunset date mentioned above, new language requires the annual State retained hospital QAAP amounts to be equal to 13.2% of the federal funds generated by the hospital quality assurance assessment. The State retained amounts shall be applied proportionately to each hospital quality assurance assessment program and appropriated each year to the Hospital Services and Therapy line within the DCH budget bill.

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 hospital QAAP State retained amounts were mentioned above. The net provider benefit to the hospital system resulting from the quality

assurance assessment program in FY 2007-08 is estimated to be \$514.6 million and \$202.3 million for the nursing home/hospital long-term care unit systems.

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