



HOSPITAL PROVIDER ASSESSMENT

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: RUSSELL FRANSEN

ISSUE BRIEF

SUMMARY

The Hospital Provider Assessment Special Revenue Fund, created by SB 273 *Hospital Assessments* from the 2010 General Session (<http://le.utah.gov/~2010/bills/sbillenr/sb0273.pdf>), provided \$41,500,000 in state match money for the Utah Medicaid program in FY 2012 and is scheduled to end in July 2013. The Legislature has at least three options: do nothing, extending the sunset date, or removing the sunset date.

LEGISLATIVE ACTION

The Legislature has at least three options to address the scheduled end of the hospital provider assessment:

1. **Do nothing** - the hospital provider assessment of \$41,500,000 would end in FY 2014. This would result in a 27% reduction in rates paid to hospitals as compared to FY 2012 total reimbursement to hospitals.
2. **Change sunset date** – change the date of July 2013 in UCA 63I-1-226(6) to some future date.
3. **Remove sunset date** – delete the sunset date of July 2013 in UCA 63I-1-226(6).

DISCUSSION AND ANALYSIS

What is the Hospital Provider Assessment?

Senate Bill 273 *Hospital Assessments* from the 2010 General Session allows privately-owned hospitals to pay an assessment from FY 2010 through FY 2013. The Department of Health uses the assessment to raise inpatient hospital reimbursement in the Medicaid program. The hospital provider assessment has a sunset date of July 2013 in UCA 63I-1-226(6).

The upper payment limit calculation determines the amount of net reimbursements available. The amount that Medicare would pay for all inpatient hospital services determines the upper payment limit for Medicaid. The amount of the assessment is the match needed to draw down the maximum amount of federal money above what the State General Fund funded rates bring. The amounts previously paid in fee-for-services inpatient hospital days determine how much money each hospital receives. Hospitals that provided services to less than 300 Medicaid clients in FY 2008 under the Select Access program receive an additional payment. For FY 2010, 24 hospitals qualified for the less than 300 Medicaid clients bonus.

How Many Hospitals are Affected by the Hospital Provider Assessment?

The legislation's definition of privately-owned hospitals results in 43 or 83% of 52 Utah hospitals subject to the assessment. Of the 43 hospitals paying the assessment, 18 or 43% are for-profit organizations. On a hospital-by-hospital basis, the assessment resulted in a net gain in revenues for 32 hospitals and a net loss for the remaining 11 hospitals (10 of these 11 receive no supplemental payments) in FY 2010. Individual impact ranges from a loss of \$46,800 for Highland Ridge hospital in Midvale to a gain of \$4,011,200 for Dixie Medical Center in St. George. For the net impact by hospital of the 2010 hospital assessment, please see the table on the next page.

Implementation History

The Department implemented quarterly hospital assessments on May 11, 2010. It retroactively assessed hospitals beginning January 1, 2010. For the second half of FY 2010, the Department collected \$7,552,200, which it matched with

\$31,741,200 federal funds. The Department provided the revenue to the hospitals on a quarterly basis in the form of supplemental Medicaid payments.

Before factoring in the rate increases from the hospital assessment, inpatient hospitals saw an 11% decrease in base rates in FY 2010 and another 14% reduction in FY 2011. The assessment raised net reimbursements for hospitals by 11% or \$24,189,000 in FY 2010, 27% or \$66,953,000 in FY 2011, and 27% or \$63,463,300 in FY 2012. In FY 2011 and FY 2012 the hospital provider assessment provide a state match of \$32,443,900 and \$41,500,000 respectively.

Other States and Provider Assessments

As of FY 2010, forty-two other States had at least one Medicaid provider assessment. “The Health Management Associates [Medicaid Budget Survey](#) as reported October...2009...shows 26 states taxing hospitals, 11 states taxing managed care organizations, 31 states/district taxing Intermediate Care Facilities/Mental Retardation, 37 states/district taxing nursing homes, 4 taxing pharmacies and 2 taxing Residential care and day rehabilitation providers (National Conference of State Legislatures, <http://www.ncsl.org/default.aspx?tabid=14359#ProviderTax>, accessed May 7, 2010).” Utah is one of a majority of States which tax nursing homes and Intermediate Care Facilities/Mental Retardation. The federal government limits assessments on any provider to 5.5% of net operating revenues.

What About Publicly-owned Hospitals?

Of Utah’s 11 publicly-owned hospitals, one of them receives money through supplemental inpatient hospital upper payment limit. A publicly-owned hospital can receive these payments based upon obtaining federal approval. The Medicare upper payment limit principles and the details approval by the federal government determine total amount of payments possible. In Utah, the recipient hospitals provided 100% of the needed match in FY 2011 for these extra payments received.

Private Hospitals - FY 2010	Assessment Paid	Increased Payment Received	Payment Above/(Below) Assessment
Alta View	\$199,700	\$299,000	\$99,300
American Fork	\$246,100	\$537,900	\$291,800
Ashley Valley Medical Center	\$53,400	\$472,300	\$418,900
Aspen Institute for Behavioral Asses.	\$4,200	\$0	(\$4,200)
Bear River Valley	\$11,100	\$90,500	\$79,400
Benchmark Behavioral Health System	\$1,800	\$0	(\$1,800)
Brigham City Community	\$33,800	\$454,500	\$420,700
Cache Valley Specialty	\$23,200	\$54,200	\$31,000
Castleview	\$88,800	\$824,700	\$735,900
Center for Change	\$1,300	\$0	(\$1,300)
Central Valley Medical Center	\$34,300	\$382,700	\$348,400
Christus Marian Center	\$9,000	\$0	(\$9,000)
Davis Hospital & Medical Center	\$311,200	\$541,100	\$229,900
Delta Community	\$12,400	\$193,800	\$181,400
Dixie Regional Medical Center	\$520,300	\$4,531,500	\$4,011,200
Fillmore Community	\$10,200	\$107,900	\$97,700
Healthsouth Rehab Hospital of Utah	\$30,600	\$0	(\$30,600)
Heber Valley Medical Center	\$22,500	\$247,000	\$224,500
Highland Ridge	\$46,800	\$0	(\$46,800)
Intermountain Medical Center	\$879,800	\$3,592,300	\$2,712,500
Jordan Valley Medical Center	\$528,500	\$3,120,700	\$2,592,200
Lakeview	\$168,600	\$353,300	\$184,700
LDS	\$409,500	\$1,127,300	\$717,800
Logan Regional	\$222,200	\$2,731,200	\$2,509,000
McKay-Dee Hospital Center	\$634,400	\$2,409,700	\$1,775,300
Mountain View	\$174,500	\$905,000	\$730,500
Mountain West Medical Center	\$69,100	\$469,900	\$400,800
Ogden Regional Medical Center	\$348,800	\$1,184,600	\$835,800
Orem Community	\$52,700	\$214,900	\$162,200
Orthopedic Specialty	\$46,500	\$15,700	(\$30,800)
Primary Children's Medical Center	\$451,600	\$4,315,100	\$3,863,500
Promise Hospital of Salt Lake	\$14,300	\$0	(\$14,300)
Salt Lake Regional Medical Center	\$205,500	\$528,100	\$322,600
Sanpete Valley	\$24,500	\$398,800	\$374,300
Sevier Valley Medical Center	\$33,900	\$414,300	\$380,400
Silverado Senior Living - Aspen Park	\$8,900	\$0	(\$8,900)
South Davis Community	\$3,800	\$0	(\$3,800)
St. Mark's	\$548,000	\$2,390,000	\$1,842,000
Timpanogos Regional	\$206,800	\$623,000	\$416,200
Uintah Basin Medical Center	\$59,200	\$760,500	\$701,300
Utah Valley Regional Medical Center	\$686,400	\$3,851,000	\$3,164,600
Utah Valley Specialty	\$12,000	\$0	(\$12,000)
Valley View Medical Center	\$102,000	\$1,150,900	\$1,048,900
Totals	\$7,552,200	\$39,293,400	\$31,741,200