

SESSION OF 2004
Corrected

**CONFERENCE COMMITTEE REPORT BRIEF
SENATE SUBSTITUTE FOR HOUSE BILL NO. 2912**

As Agreed to March 30, 2004

Brief *

Senate Substitute for HB 2912 would establish a mechanism for funding a new Health Care Access Improvement Program through an annual assessment on inpatient services provided by hospitals and on non-Medicare premiums collected by health maintenance organizations (HMOs). Hospital providers that are state agencies, state educational institutions, or critical access hospitals would be exempt from the assessment. The state mental health hospitals and developmental disability hospitals would also be exempt. The assessment would be 1.83 percent of net inpatient revenues for hospitals based on the hospital's 2001 fiscal year. If the hospital does not have a complete 12 month 2001 fiscal year, the assessment would be \$200,000. The assessment for HMOs would be 5.9 percent of net revenues. The assessment would be subject to approval of a state plan amendment by the Centers for Medicare and Medicaid Services (CMS).

The assessment would cease, and any money collected would be returned, if CMS determines that it is an impermissible tax under Title XIX or Title XXI of the federal Social Security Act. Assessments could not be made until hospitals and HMOs had received payments for two quarters after the effective date of the payment methodology approved by the centers for Medicare and Medicaid service.

Senate Substitute for HB 2912 would designate the Department of Social and Rehabilitation Services (SRS) as the agency responsible for notifying providers of the assessment amount, establishing delayed payment schedules, and assessing penalties for payment failure as outlined by the bill.

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. The conference committee summary report may be accessed on the Internet at <http://www.kslegislature.org>

The bill would create the Health Care Access Improvement Fund where all money collected through the assessment process, interest, and penalties would be deposited. The bill specifies that revenues would be disbursed in the following manner:

- ! Not less than 80.0 percent of the funds collected from hospital assessments would be disbursed to hospital providers through a combination of Medicaid access improvement payments and increased Medicaid rates on designated diagnostic-related groupings, procedures, and codes;
- ! Not more than 20.0 percent of the funds collected from hospital assessments would be disbursed to doctors or dentists through increased Medicaid rates on designated procedures and codes;
- ! Not more than 3.2 percent of the funds collected from hospital assessments would be used to fund health care access improvement programs in undergraduate, graduate, or continuing medical education, including the medical student loan act;
- ! Not less than 53.0 percent of the funds collected from HMO assessments would be disbursed to HMOs that have a contract with SRS through increased Medicaid rates;
- ! Not more than 30.0 percent of the funds collected from HMO assessments would be disbursed to fund activities to increase access to dental care, primary care safety net clinics, increased Medicaid rates on designated procedures and codes for providers who are persons licensed to practice dentistry, and home and community based services.
- ! Not more than 17.0 percent of the funds collected from HMO assessments would be disbursed to pharmacy providers through increased Medicaid rates.

Senate Sub. for HB 2912 would establish a health care access improvement panel to administer and determine the disbursements and approved rules and regulations adopted by SRS to implement the act. The panel would consist of three members appointed by the Kansas Hospital Association with the chairman selected from those three appointees, two members licensed to practice medicine and surgery appointed by the Kansas Medical Society, one representative of SRS—appointed by the Governor, one member appointed by an

HMO, and one member appointed by the Kansas Association for the Medically Under Served. The panel would report annually to the Legislature.

The act shall take effect upon publication in the *Kansas Register*.

Conference Committee Action

The Conference Committee agreed to the Senate amendments to the bill with the following exceptions:

- ! Assessment revenue is defined as revenues generated directly by the assessments on the hospitals and HMOs, penalty assessments, interest, and federal matching funds.
- ! The hospital assessment is based on the hospital fiscal year, not the state fiscal year.
- ! If a hospital has not completed a 12-month fiscal year for 2001, the assessment will be \$200,000 with a 1.83 percent assessment when the first 12-month fiscal year is completed.
- ! Assessment payments from the hospitals and HMOs are to be made biannually, not quarterly, on July 19 and January 18 of the state fiscal year in which the statute applies.
- ! Assessment payments from the hospitals and HMOs are not due until payment for two quarters after the effective date of the payment methodology approved by the Centers for Medicare and Medicaid Services.
- ! Federal matching funds are removed from the Health Care Improvement Fund.
- ! Dentists are added to the health care providers who can receive increased Medicaid rates from not more than 20.0 percent of the hospital provider assessment.
- ! Not more than 3.2 percent of the funds collected from hospital assessments would be used to fund health care access improvement programs in undergraduate, graduate, or continuing medical education, including the medical student loan act;

! The Health Care Access Improvement Panel membership is increased from six to eight persons, with a member appointed by each HMO that has a Medicaid managed care contract and a member appointed by the Kansas Association for the Medically Underserved.

Background

Several parties spoke in support of the bill, including the Department of Social and Rehabilitation Services, the Governor's Office of Health Planning and Finance, the Kansas Hospital Association, First Guard, the Kansas Medical Society, the Kansas Association of Homes and Services for the Aging, the Marian Clinic, the Kansas Health Care Association, and the Kansas Association for the Medically Underserved.

Sub. for HB 2912 would generate an estimated \$111,250,000 all funds and result in expenditures of the same amount.