

SESSION OF 2004

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2938**

As Amended by House Committee on Appropriations

**Brief\***

HB 2938 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.

HB 2938 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.

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

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

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 and 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 graduate medical education;
- ! 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 Medicaid eligible health care clinics, 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.

The State Treasurer would be prohibited from charging fees for services related to warrants payable from this fund.

HB 2938 would establish a health care access improvement advisory panel to administer and determine the disbursements. The panel would consist of representation from the Kansas Hospital Association, SRS, the Kansas Medical Society, an HMO, the Kansas Pharmacy Association, the Kansas Association for the Medically Underserved and the Governor. The panel would report annually to the Legislature.

Finally, the bill specifies that SRS would not agree to any federal Medicaid waiver where the federal government requires the state to agree to any limit on the normal federal cost share in the Medicaid Program where state expenditures are not comparably restricted.

## **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, Kansas Association of Homes and Services for the Aging, the Marian Clinic, Kansas Health Care Association, and the Kansas Association for the Medically Underserved.

HB 2938 would generate an estimated \$111,250,000 all funds and result in expenditures of the same amount.