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F I S C A L   I M P A C T   R E P O R T

SPONSOR Jennings **ORIGINAL DATE** 02/27/07 **LAST UPDATED** **HB**

SHORT TITLE Medicare Part B Rate Reimbursement **SB** 985

ANALYST Weber

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		$4,627.1	$2,155.5	$6,782.6	Recurring	General Fund
		$11,472.9	$5,344.5	$16,817.4	Recurring	Federal Medicaid

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Bill 985 requires the Human Services Department (HSD) to reimburse for physicians, dentists, optometrists, podiatrists and psychologists at rates no less than the payment rate for Medicare Part B services.

Additionally, HSD must adjust the rate at the beginning of each state fiscal year beginning on July 1, 2008, by an annual percentage, taking into consideration factors that affect the cost of providing service, including increases in medical liability premiums and office overhead. In addition, all reimbursements shall include gross receipts tax.

The bill would also eliminate language that allows Medicaid managed care organizations the flexibility to negotiate rates paid to providers.

FISCAL IMPLICATIONS

There would be a substantial fiscal impact as noted in the **ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT** above.

SIGNIFICANT ISSUES

HSD analysis indicates that to raise Medicaid payments to Medicare rates for the first year would require a total of approximately $16,100,000 ($4,627,140 in state general fund and $11,472,860 in federal matching funds.)

If the annual increase, based on provider increased costs, is 5% in FY08, it would increase Medicaid expenditures approximately $7.5 million more than in the first year ($2,155,500 in state general fund and $5,344,500 in federal matching funds).

Medicare rates have been very unpredictable, with the federal government often blocking scheduled cutbacks or increases.

OTHER SUBSTANTIVE ISSUES

The presence of a statutory annual increase could hamper the Legislature's ability to develop appropriation priorities, particularly in lean revenue years.

POSSIBLE QUESTIONS

Why is only this limited group of providers offered the increase and mandated annual increase?

MW/nt