



# **Supplemental Hospital Offset Payment Program HB 1381**

## **Summary of Provisions**

**April 15, 2011**

The Oklahoma Hospital Association (OHA) has been working to develop a hospital provider fee intended to supplement, not supplant, existing state appropriations in order to alleviate the swings in the state's budget from year to year. The OHA's Supplemental Hospital Offset Payment Program (SHOPP) proposal is designed to assess hospitals a provider fee of 2.5 percent of annual net patient revenue that would be used to match federal Medicaid funds and supplement Medicaid payments to hospitals and maintain rates paid to providers. The proposal is expected to generate approximately \$152 million available for the state's share to garner a federal match of about \$269 million for a total of \$421 million. Of this \$421 million, \$338 million would be paid to hospitals as supplemental payments, and \$83 million would be used to maintain current SoonerCare payment rates for all providers.

### **Summary of Key Provisions**

- 77 Oklahoma hospitals would be assessed a fee of 2.5 percent of annual net patient revenue based upon 2009 Medicare cost reports.
- 71 hospitals would be exempt from the fee. Exemptions are allowed under federal law if the assessment passes a statistical test that evaluates the relationship of the proposed assessment to one that is broad based, referred to in the federal regulations as the P1/P2 test. Exempted hospitals in the proposal include:
  - 34 Critical Access Hospitals.
  - 14 long-term-care hospitals.
  - 14 specialty hospitals, defined as hospitals for which a majority of its admissions are restricted to cardiac, brain injury, cancer, surgical or obstetrical services.
  - 7 state-owned hospitals, including OU Medical Center.

- 1 Medicare-certified children's hospital.
- 1 hospital that provides the majority of care under a state agency contract.
- Hospital funds paid into the Supplemental Hospital Offset Payment Program Fund would be used for supplemental Medicaid payments for *participating* hospitals for inpatient and outpatient services. Supplemental payments may be made to critical access hospitals that are paid less than 101 percent of Medicare cost for Medicaid services.
- The law creates a five-person hospital advisory committee to advise the Oklahoma Health Care Authority (OHCA) on the Supplemental Hospital Offset Payment Program fund.
- A revolving fund would be created in the state treasury designated as the Supplemental Hospital Offset Payment Program Fund for receiving hospital assessments. The Oklahoma Health Care Authority would be charged with assessing, collecting the fees, and enforcing penalties for non payment.
- Assessments and payments would be made on a quarterly basis.
- The Supplemental Hospital Offset Payment Program would supplement, not supplant, appropriations to support hospital reimbursement.
- If CMS does not approve these provisions and it is determined that federal matching funds are not available, the OHCA shall not collect the fee.
- The fees would not be passed on to patients. Not only is this prohibited in the law, but it is unnecessary as hospitals that pay the fee will receive payments to the federal upper payment limit.
- Authorizes the OHCA to transfer \$30 million state share (\$7.5 million quarterly) from the SHOPP Fund to be used to stabilize rates.
- This bill would sunset in 2014. Any extension past 2014 would require new legislation.