



2019 Legislative Brief

Vote Yes on HB 1089

SHOPP – Supplemental Hospital Offset Payment Program

Prepared Jan. 16, 2019

HB 1089, McEntire/McCortney – Supplemental Hospital Offset Payment Program, SHOPP, will extend the sunset date of the program from Dec. 31, 2020, to Dec. 31, 2025, and extend the sunset date of the advisory committee.

Background

The hospital industry worked with the Legislature in 2011 to develop a self-assessment intended to supplement, not supplant, existing state Medicaid appropriations in order to alleviate the swings in the state's budget from year to year. The self-assessment on hospitals is a provider fee called the **Supplemental Hospital Offset Payment Program (SHOPP)**.

Enacted in 2011, SHOPP allows hospitals to provide additional money for the state to draw down federal matching funds for Medicaid to approximately the federal upper payment limit. Federal upper payment limit is equivalent to what Medicare would pay for the same patient service. Prior to the passage of the act, Oklahoma hospitals were paid by Medicaid an average of 67 percent of Medicare rates for the same service to patients.

SHOPP assesses hospitals up to 4 percent of annual net patient revenue. In 2019, the assessment will generate approximately \$204 million for the state's share to garner \$352 million in federal funding for a total of \$556 million. Of the \$556 million, \$474 million is paid to hospitals as supplemental payments for care provided to cover the unreimbursed cost of Medicaid (SoonerCare) patients and \$82 million is used to maintain current SoonerCare payment rates for physicians and other providers to ensure access to care for patients.

Sixty-six hospitals participate in the assessment, while 64 hospitals are excluded, including eight long-term care hospitals, 13 specialty hospitals, OU Medical Center, one Medicare certified children's hospital, and a hospital which provides the majority of its care under state agency contract. The 40 critical access hospitals do not pay the assessment but do benefit from SHOPP supplemental payments.

The hospital assessment fees have not been passed on to hospital patients. Not only is this prohibited in the law, but it is unnecessary as hospitals that pay the fee receive payments to the federal upper payment limit.

The law created a five-person hospital advisory committee to advise the Oklahoma Health Care Authority (OHCA) on the Supplemental Hospital Offset Payment Program fund.