



Supplemental Hospital Offset Payment Program HB 1381

Frequently Asked Questions

April 2011

1. What is a supplemental hospital offset payment program?

Provider fees such as the proposed Oklahoma Supplemental Hospital Offset Payment Program (SHOPP) have been enacted in 47 states. Provider fees are a legal funding source eligible for federal matching funds when used to reimburse Medicaid covered services. Such assessments and related payments are allowable under federal regulation 42CFR 433.68.

2. How does SHOPP work?

In accordance with federal rules and regulations, hospitals would be assessed a fee to be used as state funds in order to garner federal matching funds to be invested in maintaining and improving Medicaid hospital rates as supplemental payments for those who pay the fee. Within federal parameters, the fee can be calculated a number of ways to produce the most desirable results for Oklahoma. The result would be that hospitals would be paid at their federal upper payment limit, therefore:

- This assessment will not be passed on to patients, as is prohibited in the legislation.

3. What is the federal upper payment limit?

Under federal law, state Medicaid programs are allowed the flexibility to reimburse health care providers up to the reimbursement rate allowed for the same treatment to a Medicare patient. Currently the state funds about one-third of this amount and the federal government matches the amount two to one for funding SoonerCare.

- This is critical funding for Oklahoma hospitals for patient care. Should the state make Medicaid funding cuts, Oklahoma will lose the corresponding federal match.

4. Will all hospitals gain money under SHOPP?

No. By federal law, any provider assessment plan must meet certain tests. The plan must meet the following criteria:

- Broad-based – all licensed facilities within prescribed classes must be included in the plan.
- Uniform – the same assessment rate on the same assessment base if required.
- Redistributive – not all hospitals can gain from the program and all that do gain cannot gain uniformly.

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- No “hold harmless” provision – the plan cannot assure providers they will come out even or ahead.

5. Are there any other health care providers with provider fees in Oklahoma?

Yes, the nursing home industry pays into a Quality Access Fund enacted in 2000 that allows the nursing homes to provide the state match to Medicaid to garner federal match for nursing home services.

6. Isn't this just a tax on the sick?

No. Currently in Oklahoma there is a “hidden health care tax” comprised of two components:

1. The cost of care provided to Medicaid patients that is not fully covered by Medicaid payments (hospitals are **not** currently reimbursed 100 percent of the cost of providing care), and
2. The cost of care provided to patients unable to pay.

Passing the provider fee will **diminish** the need for cost shifting. According to the State Coverage Initiative report, July 14, 2009, all Oklahomans are impacted by a \$954 million hidden health care tax. This hidden health care tax manifests itself through “cost shifting” to other payers. That is, patients and businesses through their insurance carriers, pay more than the cost of the care they receive to make up for inadequate Medicaid payments and other uncompensated care. While a normal fee is often passed on to businesses and consumers, the federal match will actually **increase** the income to hospitals.