

Division of Medicaid State of Mississippi Policy	New: X Revised: Current:	Date: Date: 09/01/06
Hospital Assessments		

The Division will increase gross revenue assessments for Mississippi hospitals by up to one percent (1%) of total gross revenue collected on a monthly basis effective September 1, 2006.

Economic Impact Statement:

- (a) **Description of the need for and the benefits which will likely accrue as the result of the proposed action:** All Mississippi hospitals that receive reimbursement for medical service claims through the Division of Medicaid will maintain current levels of payments. Total medical service payments to hospitals consist of federal and state funding. The Division must provide the state match portion in order to draw down the 3 to 1 federal share of Medicaid medical service expenditures. Maintenance of these non-federal funds has a tremendous overall impact on MS Medicaid hospitals by distributing approximately \$360 million among these facilities. The overall impact to MS hospitals is a \$270 million net gain after deducting the \$90 million of redistributed assessments.
- (b) **Estimate of the cost to the agency, and to any other state or local government entities, of implementing and enforcing the proposed action, including the estimated and enforcing the proposed action, including the estimated amount of paperwork, and any anticipated effect on state or local revenues:** There will be no additional cost to the Division in order to implement the assessment increase. County and State hospitals will contribute approximately \$17.0 million annually to the redistribution of assessments. The net gain for these facilities will be approximately \$70.0 million annually after the assessment redistribution.
- (c) **An estimate of the cost or economic benefit to all persons directly affected by the proposed action:** The estimated overall economic benefit for public and private hospitals is the maintenance of current Medicaid medical service payments of approximately \$360 million. The estimated overall economic cost for public and private hospitals is \$90 million.
- (d) **Impact on small business:** N/A
- (e) **A comparison of the costs and benefits of the proposed rule to the probable costs and benefits of not adopting the proposed rule or significantly amending an existing rule:** The cost/benefit analysis of the proposed rule is summed up as follows: implement assessment redistribution = maintain \$360 million of hospital Medicaid medical service payments, do no implement = hospitals lose \$360 million of revenue.
- (f) **A determination of whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rule where reasonable alternative methods exist which are not precluded by law:** The previous method used to generate the non-federal funding was found to be impermissible by the Centers for Medicare and Medicaid Services (CMS), the federal agency which is responsible for oversight of

Medicaid. Other alternative funding methods were considered and it was determined that these methods conflicted with federal and/or state law or were not viable alternatives due to administrative burdens and concerns raised by CMS.

- (g) **A description of reasonable alternative methods, where applicable, for achieving the purpose of the proposed action which were considered by the agency and a statement of reasons for rejecting those alternatives in favor of the proposed rule:** The method of cost based reimbursement methodology using “certified public expenditures” or CPEs was reviewed and found to fall short of the funding goal, would be an administrative burden, and CMS indicated that approval for this alternative was not likely. Another alternative method reviewed was named the “Katrina proposal” and was not a viable alternative for several reasons including but not limited to the following: Katrina relief funds are a one time source of funding, are not a long term solution, and the Division will continue to request all funds available from the Deficit Reduction Act regardless of the alternative selected; the intergovernmental transfer methodology would still place all of the funding burden on public hospitals in the state. No other reasonable methods were identified.
- (h) **Detailed statement of the data and methodology used in making estimates:** The Division used gross revenue reported by MS hospitals in FY-05 & FY-06 to generate total gross revenue assessment projections.