

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 453 Reimbursement for Lung Transplant Services for Medicaid Recipients
SPONSOR(S): Cretul and Others
TIED BILLS: **IDEN./SIM. BILLS:** SB 546

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Health Care Regulation Committee	11 Y, 0 N	Bell	Mitchell
2) Governmental Operations Committee			
3) Health Care Appropriations Committee			
4) Health & Families Council			
5)			

SUMMARY ANALYSIS

HB 453 amends s. 409.9062, F.S., requiring the Agency for Health Care Administration (AHCA) to reimburse approved lung transplant facilities a global fee for providing lung transplant services to Medicaid recipients instead of using a per service rate.

Currently, Medicaid reimburses lung transplants using the Resource-Based Relative Value Scale (RBRVS) payment methodology. The RBRVS is a scale of national uniform relative values for all physicians' services. The relative value of each service must be the sum of relative value units representing physicians' work, practice expenses, net of malpractice expenses, and the cost of professional liability insurance.

Under the Medicaid program, coverage for adult inpatient hospital services is limited to 45 days per year and outpatient fees are limited to \$1,500 per fiscal year unless otherwise specified. This limitation is problematic for facilities which are performing organ transplants, since individuals in need of organ transplants are frequently in very poor health prior to the transplant and may exhaust their 45 days of coverage before the transplant episode is complete.

According to the Agency for Health Care Administration (AHCA), these funding mechanisms result in a net loss to providers of approximately \$152,000 per adult Medicaid transplant recipient. Consequentially, the only Medicaid approved lung transplant facility in Florida is not currently accepting adult Medicaid recipients age 21 and over. Recipients age 21 and over who need lung transplants are being referred to out-of-state facilities.

AHCA estimates that 63 pediatric and adult recipients will have access to global reimbursement for lung transplant evaluation services after implementation of this bill. Of these 63 recipients, an estimated 24 will go on to be transplanted.

The estimated total cost of paying a global rate for lung transplants for adults is \$4,285,800. The current funding allocation for the Medicaid lung transplant program is, \$3,318,000. The bill would require an additional funding of \$1,033,996 (\$423,938 General Revenue, and \$610,058 federal matching funds) in FY 05-06 and \$1,248,286 (\$511,797 General Revenue, and \$736,489 federal matching funds) in FY 06-07. This includes an addition of 1-Career Service FTE Registered Nurse Consultant to implement and manage the program.

The effective date of the bill is upon becoming law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government – According to the Agency for Health Care Administration (ACHA) implementation of this bill will create 1 new full-time government employee.

Ensure lower taxes – This bill will require the legislature to appropriate an additional \$423,938 to the Medicaid lung transplant program budget in FY 05-06. This number increases to \$610,058 in FY 06-07.

Empower Families – This bill establishes a global fee for providing lung transplant services to Medicaid recipients. It is likely that increased reimbursement will enhance access to care for adult recipients age 21 and over in need of transplant services within the state of Florida, and decrease the need for referring these recipients to out-of-state facilities.

B. EFFECT OF PROPOSED CHANGES:

HB 453 amends s. 409.9062, F.S., requiring the Agency for Health Care Administration (AHCA) to reimburse approved lung transplant facilities a global fee for providing lung transplant services to Medicaid recipients.

The effective date of the bill is upon becoming law.

CURRENT SITUATION

Transplant Services for Medicaid Recipients

Medicaid reimburses for organ and bone marrow transplantation services provided by specialized transplant physicians in designated transplant centers. Determinations for medically accepted transplant procedures are established within the guidelines of the AHCA Organ Transplant Advisory Council, the Bone Marrow Transplant Advisory Panel, and Medicaid medical consultants.

Acceptance as a candidate for covered transplant services is determined by the designated transplant hospital, not by Medicaid. Pre-transplant and post-transplant care, including immunosuppressive medications, is reimbursed even if the transplant is not a Medicaid-covered transplant.

Medicaid reimbursement for transplant services has the following limitations:

- Recipients age 21 and older are eligible for kidney, cornea, liver, lung, heart, and bone marrow transplants when medically necessary and appropriate.
- Recipients under age 21 are eligible for transplants determined medically necessary and appropriate, including lung, heart/lung and those listed above for recipients age 21 and older.
- All out-of-state transplant referrals for organ and bone marrow transplants must be requested by a Medicaid designated transplant center. The prior authorization must be forwarded to the Medicaid office for review.
- Out-of-state evaluations and transplants are not covered if the services are available in the state of Florida.
- Physician services limitations apply.

Adult heart and liver transplants under Medicaid require prior authorization. Medicaid does not reimburse transplant procedures that are deemed investigational or those not yet proven clinically effective as determined by consultants within the AHCA Organ Transplant Advisory Council.

Lung Transplantation

Lung transplantation was first performed in 1963; however, few of the original patients who underwent the procedure survived beyond the 12-month postoperative milestone. Advances in immunosuppressive agents and newer surgical techniques have prolonged survival rates beyond 1 year for most patients (75-90 percent) and beyond 2 years for many (>50).

Lung transplantation is the treatment of choice for adults and children who will die from end-stage lung disease. The primary diagnoses for individuals with chronic lung disease receiving transplants nationally are cystic fibrosis, idiopathic pulmonary fibrosis, chronic obstructive pulmonary disease, and emphysema. Approximately 60 percent of transplants performed are single lung transplants and 40 percent are double lung transplants.

Lung Transplants for Medicaid Recipients

Since January 1, 2003, Florida Medicaid has provided coverage for lung transplants for beneficiaries of all ages. The legislation [SB 2048 (2002), Jennifer Knight Medicaid Lung Transplant Act] making adults eligible for lung transplants expanded the range of transplant coverage but did not increase the funding available for transplants. Lung transplant services are reimbursed to those facilities that are designated as lung transplant centers for Medicaid. Currently, Shands Hospital in Gainesville, Florida, is the only hospital designated as a Medicaid provider for adult and pediatric lung transplantations (two other teaching hospitals in Florida provide lung transplants for non-Medicaid patients). A second center is in the process of completing the application process in order to receive Medicaid designation. The addition of another designated center in Florida to perform lung transplantation services will increase utilization and provide better accessibility to recipients in Florida needing those services.

Facility reimbursement for these services, regardless of recipient age, is established on a cost-based reimbursement methodology. Recipients, age 0-20 years, receive unlimited in-patient services and unlimited outpatient services. Adult recipients, age 21 and over, are subject to the 45 inpatient day limitation and the \$1500.00 cap for outpatient services per state fiscal year. Under the current reimbursement rate hospitals are reimbursed approximately \$71,700 per adult lung transplant and \$95,100 per pediatric transplant. This results in an approximate net loss per transplant of \$133,000 and \$227,900 respectively¹.

Due to limited funding for lung transplant services for adults, the approved lung transplant facility in Florida is not currently accepting adult Medicaid recipients of age 21 and over. Recipients age 21 and over who need lung transplants are currently being referred to out-of-state facilities.

With a change to global reimbursement methodology for lung transplantation, it is estimated that 30 adult Medicaid patients would be evaluated annually, 16 would be listed for transplantation, and 8 would receive a lung transplant. Currently, 8 pediatric Medicaid patients are evaluated, 6 are listed for transplant, and 4 are eligible for a lung transplants. If the second facility is designated as a Medicaid-eligible transplant center, total adult evaluations are estimated at 50 with 16 transplants, and total pediatric evaluations should be 13 with 6 transplants.

Medicaid Reimbursement Mechanisms

All Medicaid covered surgeries, including organ transplants, whether adult or pediatric are reimbursed utilizing the Resource-Based Relative Value Scale (RBRVS) payment methodology with the exception of adult heart and adult liver transplants. The RBRVS is a scale of national uniform relative values for all physicians' services. The relative value of each service must be the sum of relative value units representing physicians' work, practice expenses, net of malpractice expenses, and the cost of professional liability insurance.

Medicaid transplant services are reimbursed using the normal Medicaid payment methodology (per-diem established for the facility based on their cost reports, and physician fee-for service). Payment for transplantation services primarily involves reimbursement for physician services, hospital inpatient services, hospital outpatient services, and prescribed drugs. Under the Florida Medicaid program,

¹ Financial estimates received from Shands Hospital.

coverage for adult inpatient hospital services is limited to 45 days per year and outpatient fees are limited to \$1,500 per fiscal year unless otherwise specified. This limitation is problematic for facilities which are performing organ transplants, since individuals in need of organ transplants are frequently in very poor health prior to the transplant and may exhaust their 45 days of coverage before the transplant episode is complete. According to ACHA, the result is a net loss to providers of approximately \$152,000 per adult Medicaid transplant recipient.

Increased fees for adult heart transplant services were provided in the FY 1997-1998 General Appropriations Act as approved by the Legislature after several discussions with representatives and facilities determined the prior methodology was inadequate. Increased fees for adult liver transplants were provided by the utilization of hospital upper payment limit (UPL) funds and approved by the Legislature beginning June 2003, after similar discussions and submittal of a legislative budget request.

Florida reimburses for liver and heart transplants on a global payment basis, which covers the evaluation, transplant, and follow-up care required. Under global reimbursement mechanisms, the transplant facility submits the request for the global payment, and then reimburses the other providers involved in the procedure, including physician services, from the global payment received.

C. SECTION DIRECTORY:

Section 1. Amends s. 409.9062, F.S., regarding lung transplant services for Medicaid recipients.

Section 2. Provides that the bill shall take effect upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

AHCA ESTIMATED REVENUES

	Amount Year 1 FY 05-06	Amount Year 2 FY 06-07
Non-Recurring Impact:		
Total Non-Recurring Revenues	<u>\$0</u>	<u>\$0</u>
Recurring Impact:		
Grants	\$2,564,677	\$2,688,892
Total Recurring Revenues	<u>\$2,564,677</u>	<u>\$2,688,892</u>

2. Expenditures:

ACHA ESTIMATED EXPENDITURES

	Amount Year 1 FY 05-06	Amount Year 2 FY 06-07
Expenditures:		
Expense (Agency Standard Expense & Operating Capital Outlay Package)		

Professional Staff		\$2,610	\$0
Total Non-Recurring Expense		\$2,610	\$0
Total Non-Recurring Expenditures		<u>\$2,610</u>	<u>\$0</u>
Expenditures:			
Salaries			
Registered Nursing Consultant		\$54,867	\$54,867
Total Salary and Benefits	1.0 FTEs	\$54,867	\$54,867
Expenses			
Professional Staff		\$10,940	\$10,940
Total Expenses		\$10,940	\$10,940
Human Resources Services			
FTE		\$389	\$389
Positions			
Total Human Resources Services		\$389	\$389
Special Categories			
Hospital Inpatient Services		\$3,142,800	\$3,299,940
Physician Services		\$1,143,000	\$1,200,150
Total Special Categories		\$4,285,800	\$4,500,090
Total Recurring Expenditures	1.0 FTEs	<u>\$4,351,996</u>	<u>\$4,566,286</u>
Total Estimated Cost		\$4,351,996	\$4,566,286
<i>Current Funding in base budget</i>		\$3,318,000	\$3,318,000
Net Additional Funds Required		\$1,033,996	\$1,248,286
State General Revenue Fund	41%	\$423,938	\$511,797
Federal Medical Care Trust Fund	59%	\$610,058	\$736,489
Total	100%	\$1,033,996	\$1,248,286

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill may affect employment markets for facility staffing. Increased reimbursement may encourage facilities to accept a higher volume of recipients needing lung transplant services, resulting in an inflow of patients. This increased patient load may require increased facility staff. Clinics, laboratories, and other health care providers who serve individuals with lung disease and transplants may provide care to additional patients. Increased reimbursement may also encourage other statewide facilities to become approved Medicaid transplant centers therefore increasing recipient choice and access to lung transplant care throughout Florida.

D. FISCAL COMMENTS:

ACHA FISCAL EXPLANATION

The direct fiscal impact is variable from year to year due to the ever-changing number of recipients needing lung transplant services and the limited number of available organs. Establishing a global payment method for all lung transplants will have a two-fold effect.

A global payment may decrease overall reimbursement for recipients age 0-20 depending on recipient length of stay. As previously described, recipients age 0-20 currently receive unlimited inpatient and outpatient services. Establishing a set global payment amount will provide a "lump sum" payment for lung transplant services. This "proposed global" payment may well be less than the reimbursement afforded to the facilities under the usual cost-based reimbursement method currently established, due to the unlimited inpatient and outpatient services for recipients age 0-20.

An established global payment as afforded by this proposal may increase the overall accessibility for recipients age 21 and over. As previously described, recipients age 21 and over are currently limited to 45 days inpatient, and \$1500.00 outpatient limitations per fiscal year. Establishing a global payment amount will eliminate these limitations and provide "lump sum" payment for these services. Increasing reimbursement will enhance access to care for adult recipients age 21 and over in need of lung transplant services within the state of Florida, and decrease the need for referring these recipients to out-of-state facilities for negotiated contract rates.

AHCA estimates that 63 pediatric and adult recipients will have access to global reimbursement for lung transplant evaluation services after implementation of the bill. Of these 63 recipients, an estimated 24 will go on to be transplanted. Using 85% of the Medicare diagnostic-related group (DRG) for facility reimbursement (\$132,000) as a basis for Medicaid lung transplants facility reimbursement, a calculated amount of \$112,200 is established. Organ acquisition costs are frequently cited as reason for significant financial loss to facilities. Because organ procurement costs vary, a median cost of \$38,000 was established by averaging the high and low costs of procurement and added to the facility reimbursement for the transplant surgery phase. This results in a facility transplant reimbursement of \$150,200. It is estimated that facility evaluations will be \$9,000. Physician services are estimated to be \$27,000 for the transplant and \$6,000 for the evaluation physical. This brings the total global payment to the lesser of actual charges, or \$192,200 per recipient following all the way through lung transplant. For the second fiscal year, it can be expected that recipient utilization may be increased by approximately 5%.

The estimated total cost of paying a global rate for lung transplants for adults is \$4,285,800. The current funding allocation for the Medicaid lung transplant program is, \$3,318,000. This bill would require an additional funding of \$1,033,996 (\$423,938 General Revenue, and \$610,058 federal matching funds) in FY 05-06 and \$1,248,286 (\$511,797 General Revenue, and \$736,489 federal matching funds) in FY 06-07.

Upon implementation, Medicaid Services will require the addition of 1-Career Service FTE Registered Nurse Consultant to implement and manage the program. Currently there is 1-Career Service FTE Registered Nurse Consultant performing the duties of the transplant program and the global payment process. The transplant program, over the last four years, has grown from approximately 40 recipients, to well over 300 recipients receiving global funding services. This tremendous increase is directly related to the global funding methodology implemented for adult heart transplants in 1997, and adult

liver transplants in 2003. The implementation of global funding for an additional organ will require additional staff to ensure proper processing, payment, and tracking of all services needed for these transplant recipients. The staff member must act as the medical coordinator, financial coordinator, and claims payment coordinator for all recipients receiving services paid by a global funding methodology. The additional staff member will be trained to perform all the above duties and will work as an equal team member with current staff.

In order to provide a general cost overview of a global reimbursement rate for lung transplants, AHCA provided the following cost schedule:

Global Lung Transplants **5% Increase YEAR 2**

Medicare DRG	\$132,000	
Medicaid (85% of Medicare)	\$112,200	
1 Registered Nursing Consultant	\$68,806	\$66,196
Evaluation	\$6,000	\$6,300
Hospital Evaluation	\$9,000	\$9,450
Physician	\$27,000	\$28,350
Hospital-Transplant	\$112,200	\$117,810
Total	\$154,200	\$161,910
Physician Services	\$33,000	\$34,650
Hospital Inpatient Services	\$121,200	\$127,260
Total	\$154,200	\$161,910

Estimated Adult Lung Transplants

Recipients	24	24
Hospital Inpatient	\$2,908,800	\$3,054,240
Physician Services	\$792,000	\$831,600
Total	\$3,700,800	\$3,885,840

Estimated Evaluations-No Transplant

Recipients	39	39
Hospital Inpatient	\$351,000	\$368,550
Physician Services	\$234,000	\$245,700
Total	\$585,000	\$614,250

Total Funds Required	\$4,354,606	\$4,566,286
Current Funding	\$3,318,000	\$3,318,000
Net Additional Funding	<u>\$1,033,996</u>	<u>\$1,248,286</u>

State	\$423,938	\$511,797
Federal	\$610,058	\$736,489
Total	\$1,033,996	\$1,248,286

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or take an action requiring the expenditure of funds. This bill does not reduce the percentage of a state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

Yes. The purpose of this bill is to require AHCA to promulgate rules changing the Medicaid lung transplant reimbursement methodology to a global rate.

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES