Provider Fees

Provider fees are taxes assessed on health care providers or health care services.

The fees collected are then used to obtain federal Medicaid matching dollars to provide enhanced reimbursement to Medicaid providers.

The enhanced reimbursement to Medicaid providers helps to preserve access to vital medical services for Medicaid recipients in Nevada.

WHAT IS A PROVIDER FEE?

A provider fee is an allowable health care-related tax pursuant to federal regulations which may be used to fund enhanced reimbursement to Medicaid providers. Such fees can be a significant benefit to providers and may be used to:

- Fund supplemental payments to Medicaid providers
- Enhance reimbursement rates for Medicaid providers
- Fund Medicaid expenditures

Provider fees are a valuable tool to leverage federal funds to increase reimbursement to providers and by doing so preserve and increase access to necessary medical services for Nevadans.

Pursuant to 42 CFR 433.68, states may impose a tax on a specific health care providers or services equivalent to a maximum 6% of net revenues. Federal law places strict requirements and guidelines on provider fee programs:

1. Provider Fees must be **Broad Based** and apply to all providers within a group
2. Provider Fees must be **Uniformly** imposed on all providers within the group
3. **States cannot guarantee** that a provider will be **"Held Harmless"**, or receive sufficient payments to offset taxes paid.

If a provider fee program does not meet the broad based and uniformity requirements the State must submit frequent waiver requests for the Centers for Medicaid and Medicare Services (CMS) to allow continued funding.

Provider fee programs are a funding source that has been available for many years, although Nevada currently operates only one provider fee program for Skilled Nursing Facilities.

REGULATORY AUTHORITY

The Division of Health Care Financing and Policy (DHCFP) must have regulatory authority to assess a provider fee. DHCFP proposed a Bill Draft Request (BDR 38-980/SB 509) in the 2017 Legislative Session that included permissive language allowing a provider fee program to be developed in collaboration with a majority of providers in a provider group.

The programs would be developed at the request of a group of providers and would only proceed with a majority approval of the provider group. The first reprint amended this bill to revise the necessary consensus required from a provider group to enact a provider fee from a "majority" to a "supermajority" of 67%.

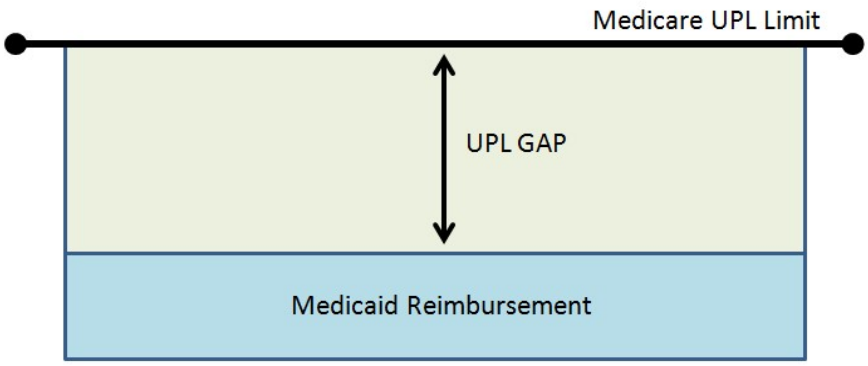
The second reprint of SB509 amended this bill to revise the groups that are eligible to develop provider fee programs from any healthcare group to only medical facilities and an operator of an agency to provide personal care assistance services.

SB509(v2) was approved by Governor Sandoval on 6/1/2017, Chapter 303.

WHO BENEFITS FROM A PROVIDER FEE?

Medicaid reimbursement to any provider group is limited by what is called the Upper Payment Limit (UPL). The UPL is the amount that Medicare would have reimbursed a provider for a service.

The difference between what Medicare would have paid for a service and what Medicaid actually paid is called the "UPL Gap". Provider fees can be leveraged to fill this reimbursement gap.



Provider groups can benefit significantly from the enhanced reimbursement from a provider fee. The healthcare landscape has changed very rapidly in recent years and as a result Medicaid faces new challenges in providing access to quality healthcare in Nevada. Provider fees are a valuable tool to leverage federal funds to increase reimbursement to providers and by doing so preserve and increase access to necessary medical services for Nevadans.

PROVIDER FEES ACROSS THE NATION

49 States, as well as Washington, D.C., operate at least one provider fee program (Alaska is the only state that does not assess a provider fee). In many states, providers have requested the State Medicaid Agency establish provider fee programs, as they recognize the benefits these programs can offer.

Many states are looking for new, innovative ways to increase reimbursement. Some states have created provider fee programs to fund the increased costs associated with the Affordable Care Act (ACA) expanded population costs.

Eight Medicaid expansion states indicate they have plans to use provider taxes or fees to fund all or part of the state share of costs of the ACA Medicaid expansion: Arkansas, Arizona, Colorado, Illinois, Indiana, Louisiana, New Hampshire and Ohio.

Provider Fees may be Assessed on:

Inpatient Hospital Services
Outpatient Hospital Services
Nursing Facilities
ICF-IID Facilities
Physician Services
Physician Assistant Services
Midwife Services
Home Health Services
Managed Care Organizations
Prescription Drugs
Ambulatory Surgical Centers
Dental Services
Podiatric Services
Chiropractic Services
Optician Services
Psychological Services
Therapist Services
Nursing Services
Laboratory and X-Ray Services
Emergency Ambulance Services
Paramedic Services
Occupational Therapy Services

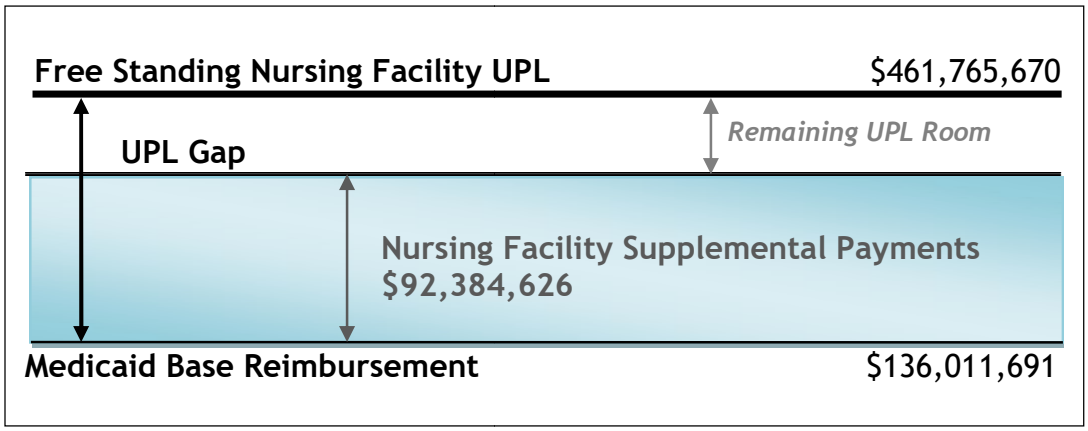
Kaiser Family Foundation, *"Implementing Coverage and Payment Initiatives: Results from a 50-State Medicaid Budget Survey for State Fiscal Years 2016 and 2017, Provider Rates and Taxes"*
http://kff.org/report-section/implementing-coverage-and-payment-initiatives-provider-rates-and-taxes/

NEVADA NURSING FACILITY PROVIDER FEE

Nevada currently operates a provider fee on skilled nursing facilities. The fee collected is equal to 6% of net revenues of all providers in the group. All skilled nursing facilities in Nevada are assessed the fee while Medicaid participating facilities are eligible to receive a supplemental payment funded by the fee.

In SFY 2017, $33,794,708 was collected in provider fees, while $92,384,626 was paid to Medicaid participating nursing facilities in supplemental payments. The supplemental payments funded by the provider fee help to fill the UPL reimbursement gap.

Since the Nevada free standing nursing facility provider fee does not meet the broad based or uniformity requirements, DHCFP must submit quarterly waiver requests for CMS review to continue the program and receive federal Medicaid funds.

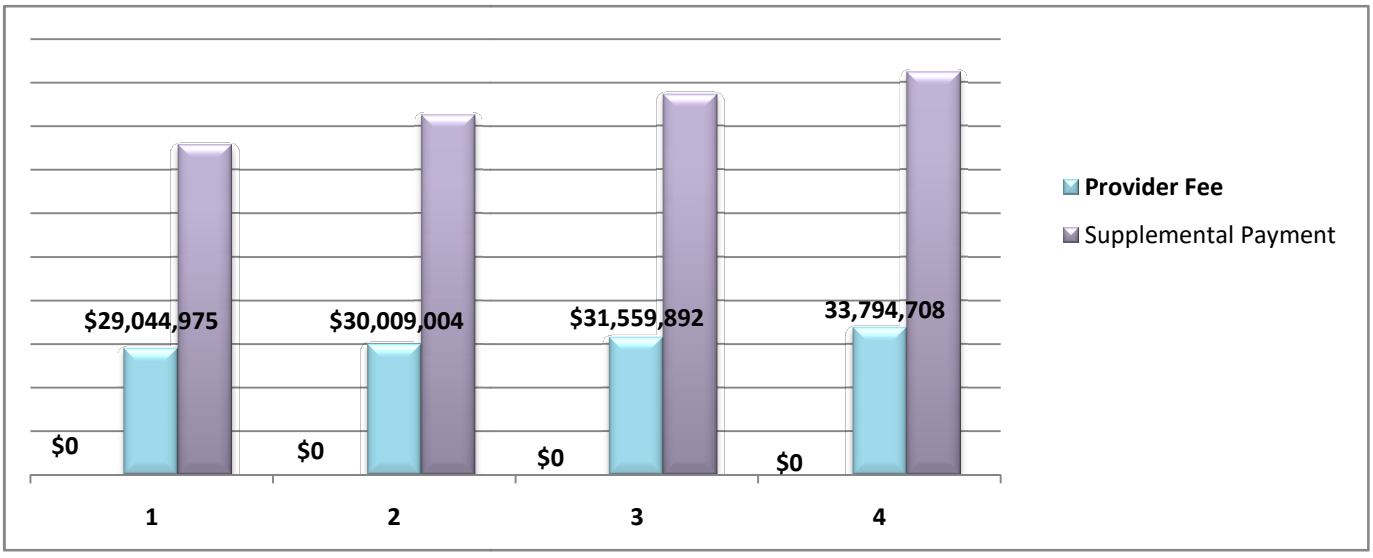


The provider fees collected fund enhanced reimbursement to Medicaid participating nursing facilities to fill the UPL Gap

The supplemental payments are issued to Medicaid participating nursing facilities based on a number of factors including Medicaid occupancy, patient acuity and complexity and quality measures. A nursing facility will receive a higher portion of the supplemental payment based on higher Medicaid occupancy and higher quality scores.

This supplemental payment structure not only provides an incentive for providers to provide services to Medicaid patients, but to provide a higher level of quality care to residents.

Nevada Nursing Facility Provider Fees and Supplemental Payment History



NEXT STEPS

- Approved Senate Bill, SB509(v2), allows DCHFP to develop provider fee programs with individual provider groups that will benefit their industry by enhancing Medicaid reimbursement.
- Public workshops will be held and programs will be developed in close collaboration with providers and will proceed with the approval of a supermajority (67%) of providers in the group.
- DHCFP will develop a provider fee assessment methodology and a payment distribution model in partnership with each provider group. Provider fee models will be developed to maximize each provider group's available UPL room in both Fee-For-Service (FFS) and Managed Care Organization (MCO) environments.
- Next, public hearings will be held, and State Plan Amendment(s) (SPAs) will then be submitted to CMS for approval.
- Provider fee programs will be formalized in Nevada Administrative Code (NAC), or in Medicaid Operations Manual (MOM), to implement new provider fee programs.
- All provider fee programs must be developed according to State and federal guidelines. Provider fee programs could be expanded to include services, or providers, in future legislation.

A provider fee program can increase the use of federal matching funds to enhance reimbursement to Medicaid providers increasing and preserving access to vital medical services for needy Nevadans

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PROVIDER FEE PROGRAM DEVELOPMENT OUTLINE

1. DHCFP is available to work with individual provider groups to develop a specific provider fee program tailored for industry needs
2. With approval of a supermajority of providers in a provider group, DHCFP will proceed with developing the individual programs as providers express interest
3. Industry specific guidelines will be developed and formalized in Medicaid Operations Manual (MOM) or Nevada Administrative Code (NAC)
4. Payment distribution models will be developed to maximize reimbursement for each provider group in compliance with state and federal regulations
5. Provider fee programs will be implemented for individual provider groups upon CMS approval