Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 198 of the 128th G.A. **Date**: May 26, 2010

Status: As Passed by the Senate **Sponsors**: Reps. Lehner and Ujvagi

Local Impact Statement Procedure Required: No — No local cost

Contents: To establish the Patient Centered Medical Home Education Pilot Project, to authorize implementation of a primary care component of the Choose Ohio First Scholarship Program, to extend the moratorium concerning most favored nation clauses in hospital contracts, and to revise the law governing Medicaid reimbursement for nursing facilities' tax costs

State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
General Revenue Fund – Medicaid			
Revenues	- 0 -	Potential gain of approximately 68.88% of any expenditure increase	Gain of approximately 60% of any expenditure increase
Expenditures	- 0 -	Potential increase	Increase
Department of Insurance Operating Fund (Fund 5540)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential minimal increase	Potential minimal increase
Wright State University			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase in administrative expenses	

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill increases the reimbursement rate for eligible nursing facilities under Medicaid. Any increase in expenditures would be partially offset by increased federal reimbursement at the federal matching rate (FMAP). LSC does not have an estimate of the amount of the increase at this time.
- The bill requires the Health Care Coverage and Quality Council (HCCQC) to review concept, propose characteristics, pursue appropriate funding opportunities, propose payment reforms, and recommend reporting requirements for primary care practice pertaining to a Patient Centered Medical Home Education Pilot Project created by the bill. The requirements would increase the HCCQC's administrative costs. Any increase in such costs would be paid out of the Department of Insurance Operating Fund (Fund 5540).

- The bill requires the Boonshoft School of Medicine at Wright State University to provide administrative support to the advisory group until it identifies an alternative. This will likely increase administrative expenses for the school. The bill permits the advisory group to appoint an executive director and employ other staff as it considers necessary.
- Ohio's public medical schools and nursing schools may incur expenses to develop curricula for the Patient Centered Medical Home Model of Care. However, the bill requires medical and nursing schools to collaborate with the advisory group to identify funding sources for curricula development. Those funding sources could offset the expenses incurred by the medical and nursing schools.
- The bill may change the allocation of scholarships under the Choose Ohio First Scholarship Program in FY 2010 and FY 2011 because it requires the development of a proposal to award up to 50 medical scholarships and up to 30 advanced practice nursing scholarships in each year to students committed to practicing the Patient Centered Medical Home Model of Care.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill creates a Patient Centered Medical Home Education Pilot Project (pilot project) to promote medical education in the Patient Centered Medical Home Model of Care (PCMHMC). The PCMHMC applies a comprehensive primary care service concept that emphasizes a centralized base and collaboration among patient, physician, and other medical and support staff that focus on the multifaceted needs of patients. The bill establishes a scholarship program for medical students and advanced practice nurses who agree to practice the PCMHMC, through the Choose Ohio First Scholarships, administered by the Board of Regents. The bill also increases reimbursement rates to certain nursing facilities under Medicaid starting in FY 2011. The bill would have no direct fiscal effect on local governments.

Patient Centered Medical Home Education Pilot Project

The pilot project would be operated to advance the PCMHMC. The bill creates an 18-member advisory group, the Patient Centered Medical Home Education Advisory Group, to implement and administer the pilot project. Criteria for appointments to the advisory group are specified in the bill. The bill also specifies that members of the advisory group will not be compensated, except to the extent that serving on the advisory group is considered part of their regular employment. The advisory group is required to develop a set of expected outcomes for the pilot project. The bill specifies that the advisory group must select up to 40 primary care physician practices and at least four advanced practice nurse primary care practices, affiliated with selected medical and nursing schools in Ohio, to participate in the pilot project. Educational affiliations and selection criteria of such practices are specified in the bill.

Moreover, the bill requires the advisory group to seek funding sources to implement and administer the pilot project, including sources from grants, federal funds, private donations, or any funding sources available for such pilot projects. The advisory group may ask the Health Care Coverage and Quality Council (HCCQC) for assistance pertaining to funding sources. All moneys received for such pilot projects must be deposited into an account maintained in a financial institution. The account must be in the custody of the Treasurer of State, but not part of the state treasury. This requirement may increase the advisory group's banking fees however, any increase would likely be minimal.

The bill specifies that if the account received adequate funding, the advisory group must reimburse up to 75% of total costs of health information technology, appropriate training, and technical support related to the PCMHMC, to each participating primary care practice under the pilot project. The advisory group must also provide comprehensive training on the operation of a PCMHMC to all physicians, advanced practice nurses, and staff participating in the pilot project.

The bill also requires the advisory group to prepare an interim report no later than six months after the date the first funding for the pilot project is released, an update of the interim report a year later, and a final report no later than two years after the first funding is released. The reports must include an outcome, findings, and recommendations of the pilot projects; an evaluation of the learning opportunities generated by the pilot project, the physicians, and advanced practice nurses trained in the projects; and costs of the project. The bill requires the advisory group to submit a copy of each report to the Governor and the General Assembly, in accordance with the requirement under section 101.68 of the Revised Code.[1]

The bill permits the advisory group to appoint an executive director and employ other staff as it considers necessary to carry out its duties. The bill requires the Boonshoft School of Medicine at Wright State University to provide administrative support to the advisory group until the advisory group identifies an alternative. This will likely increase administrative expenses for the school.

Furthermore, the bill requires the HCCQC to review the PCMHMC concept, propose the characteristics of a PCMHMC, pursue appropriate funding opportunities for the development of a PCMHMC, propose payment reforms that encourage implementation of a PCMHMC, and recommend reporting requirements for any physician practice or advanced practice nurse primary care practice using a PCMHMC. The bill also provides that the HCCQC must collaborate with the Chancellor of the Ohio Board of Regents or any other entity it considers appropriate to review issues that may cause limitations on the use of a PCMHMC. The requirements would increase the HCCQC's administrative costs. Any increase in such costs would be paid out of the Department of Insurance Operating Fund (Fund 5540).

Medical and nursing school curricula

The bill requires that the advisory group work with all medical and nursing schools in the state to develop curricula that will prepare primary care physicians and advanced practice nurses to practice in the PCMHMC. Curricula must include instruction on the special needs of medically underserved populations and interdisciplinary cooperation between physicians and advanced practice nurses. The bill requires medical and nursing schools to collaborate with the advisory group to identify funding sources for the curricula development. Such funding sources may offset any expenses incurred by the medical and nursing schools for curricula development.

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[1] According to the requirement under the Revised Code, a copy of the report must be submitted to the Director of the Legislative Service Commission, the President and the Minority Leader of the Senate, and the Speaker and the Minority Leader of the House of Representatives.

Choose Ohio First Scholarship Program

The bill requires the deans of the medical schools and colleges of The Ohio State University, Case Western Reserve University, the University of Toledo, the University of Cincinnati, Wright State University, and Ohio University, and the President and Dean of the Northeastern Ohio Universities Colleges of Medicine and Pharmacy to jointly develop a proposal to create a primary care medical student component of the Choose Ohio First Scholarship Program. The medical schools and colleges could incur minimal administrative expenses in the development of the proposal.

Likewise, the bill requires the deans of the nursing colleges of the University of Toledo, the University of Akron, Wright State University, and Kent State University, and the Director of the School of Nursing at Ohio University to jointly develop a proposal to create a primary care advanced practice nursing student component of the Choose Ohio First Scholarship Program. The medical school and colleges could incur minimal administrative expenses in the development of the proposal.

The Choose Ohio First Scholarship Program provides scholarships to students in the fields of science, technology, engineering, mathematics, and medicine (STEM). Under current law, scholarship funds are allocated to public and private institutions based on a competitive process in which institutions submit proposals to recruit talented Ohio students to STEM fields. The proposals developed for the medical and nursing student components of the Choose Ohio First Scholarship Program are to include scholarships of sufficient size to annually award up to 50 scholarships of no more than four years to medical students and up to 30 scholarships of no more than three years to advanced practice nursing students. The Chancellor of the Ohio Board of Regents must review the proposals and determine whether to implement them as part of the Choose Ohio First Scholarship Program. Scholarship recipients must participate in patient-centered medical home model training, commit to practice family or primary care in Ohio for three or more years, and agree to accept Medicaid patients. This provision may change the allocation of scholarships under the program.

Moratorium concerning most favored nation clauses in hospital contracts

The bill extends an existing moratorium on "most favored nation" (MFN) clauses in contracts between a contracting entity and a hospital from two years to three years after the effective date of Sub. H.B. 125 of the 127th General Assembly. Under current law, "most favored nation clauses" refer to any provision in a health care contract that:

1. Prohibits, or grants a contracting entity an option to prohibit, the participating provider from contracting with another contracting entity to provide health care services at a lower price than the payment specified in the contract;
2. Requires, or grants a contracting entity an option to require the participating provider to accept a lower payment in the event the participating provider

agrees to provide health care services to any other contracting entity at a lower price;

3. Requires, or grants a contracting entity an option to require, termination or renegotiation of the existing health care contract in the event the participating provider agrees to provide health care services to any other contracting entity at a lower price; or
4. Requires the participating provider to disclose the participating provider's contractual reimbursement rates with other contracting entities.

The moratorium has a potential indirect fiscal effect on the state and local governments due to its impact on relative bargaining power between medical providers and insurers. A moratorium on the use of MFN clauses may restrict an insurer's ability to negotiate costs with a hospital. As a result, such moratorium may have potential indirect impact on health insurance premiums paid by public employers. It may increase the state's and local governments' costs to provide health benefits to employees and their dependents.

Medicaid reimbursement for nursing facilities' tax costs

The bill requires the Ohio Department of Job and Family Services (ODJFS) to redetermine the reimbursement rate for tax costs for a nursing facility, if the facility had a credit regarding its real estate taxes reflected on its 2003 cost report. The redetermination is to begin on July 1, 2010 and end on next redetermination, which would be in FY 2015. The rate will be the nursing facility's desk-reviewed, actual, allowable tax costs paid for calendar year 2004 divided by the number of inpatient days during calendar year 2004, assuming 100% occupancy for the year. In addition, the amendment increases the nursing facility's FY 2011 reimbursement by the amount of real estate taxes reported on the nursing facility's cost report for 2004.

The bill would increase state Medicaid costs for FY 2011 and annually until FY 2015. However, LSC staff could not determine the fiscal impact due to lack of information such as the number of nursing facilities that would be affected. LSC has requested this information from ODJFS but has yet to receive a response.

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