

■ The Facts About Georgia's Hospital Provider Fee and Why Allowing it to Expire Would be a Mistake

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The Georgia hospital provider fee, or Medicaid assessment, expires on June 30, 2013. The following answers to some frequently asked questions will help you understand the fee's purpose and the ramifications if lawmakers allow it to expire.

What is a provider fee?

Most hospitals in Georgia are assessed a 1.45 percent fee on their net revenue from treating patients, with trauma centers paying slightly less (1.4 percent) and rural and state-owned hospitals exempted entirely. Revenue from the fee is used to fund Medicaid and PeachCare in Georgia. Although most of the revenue directly funds Medicaid services, roughly one-third is used to increase state payments (known as reimbursement rates) to hospitals serving Medicaid patients, which, in turn, generates additional federal funding. The state and federal funds flowing back to the hospitals roughly offset what they pay through the fee.

Why was it created?

To stave off major cuts during the recession to the amount the state pays to hospitals, doctors, and other providers for treating Medicaid patients. Due to the recession, state revenue was falling, and temporary federal assistance was set to expire, just as the need for Medicaid was growing because of the economic downturn. The fee was initially established for the FY 2011 budget.

How much revenue comes from the fee?

In the 2013 state budget year, the fee is expected to raise \$235.3 million, more than 9 percent of the total state funding for Medicaid and PeachCare.

If the money goes back to the hospitals, what's the issue?

Some hospitals benefit more than others. Many Georgia hospitals that serve high numbers of Medicaid patients receive more funding from the reimbursement rate increase than they pay in the fee. Hospitals that do not serve as many Medicaid patients may contribute more through the fee than they receive from the rate increase.

Which hospitals benefit most, and which do not?

The higher reimbursement is especially important to rural hospitals and those that serve large numbers of patients who don't have health insurance. Slightly more than half of Georgia hospitals get more funding from the increased Medicaid payments than they pay through the fee. Of the hospitals that pay more than they get back, the average net cost represents only 0.7 percent of net patient revenue.

What happens if the fee is allowed to expire?

The state could find an alternate revenue source, such as the tobacco tax, to replace the fee. If nothing is done, the 12 percent add-on payment for hospitals serving Medicaid patients would likely go away. Furthermore, additional provider cuts of at least 6-8 percent could be targeted to fill the hole left from the expiring fee. If specific classes of providers are exempted, the cuts would have to be even higher.

That will also result in a drop in federal funds for Medicaid in Georgia. For every \$1 drop in state funding, Georgia loses at least \$2 in federal funds. If budget cuts were implemented to offset the revenue lost from the fee, the state could lose approximately \$500 million in federal Medicaid and PeachCare funds.

Payment cuts may reduce the number of doctors who serve Medicaid patients or force them to shift more of their costs to privately insured patients. For some health care providers – hospitals that serve a high number of Medicaid patients, for example – the cuts could be especially harmful and result in reduced access to health care for privately covered Georgians.

Do other states use the fees?

Forty-seven states and the District of Columbia have some sort of health provider fee, and 31 states assess a fee on hospitals.