

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: April 1, 2002

SUBJECT: Fiscal Impact Statement: "Medicaid State Plan Amendment
Change of Base Year for the Hospital for Sick Children
Approval Resolution of 2002."

REFERENCE: Draft Legislation – Bill Number Not Available

Conclusion

Funds are sufficient in the FY 2002 through FY 2005 budget and financial plan to implement the proposed state plan amendment because the increased expenditures associated with the change are included in the FY 2002 budget. No additional staff or resources will be required. The proposed state plan amendment will have no affect on General Fund revenue.

Background

The proposed state plan amendment would revise the base year used to calculate Medicaid reimbursement for the Hospital for Sick Children from FY 1989 to FY 1998. According to the Department of Health, the current base year is no longer representative of the reasonable and necessary costs of the hospital's inpatient services. The revised base year (and rate associated with the new base year) would be effective October 1, 2001.

Financial Plan Impact

The proposed state plan amendment would increase the reimbursement rate paid to the Hospital for Sick Children. The table below illustrates the rate change and resulting increased expenditures (both federal and local share).

Change in Medicaid Reimbursement Rates and Costs FY 2002		
	Rate	Cost
Current		
Hospital	\$456.00	\$331,512
Subprovider	\$701.00	\$3,712,496
Total		\$4,044,008
Rebased		
Hospital	\$808.94	\$588,102
Subprovider	\$1,167.44	\$6,182,762
Total		\$6,770,864
Net Impact		2,726,856

According to the Medical Assistance Administration of the Department of Health, funding for the proposed state plan amendment is sufficient in the FY 2002 through FY 2005 budget and financial plan to fund the local share of the increased expenditures. The District of Columbia's local share of Medicaid reimbursement is 30 percent and the federal share is 70 percent. The table below illustrates the increased expenditures that would result from the proposed state plan amendment updated annually for inflation.

Increased Medicaid Reimbursement by Share					
	FY 2002	FY 2003	FY 2004	FY 2005	4-Year Total
Federal Share	\$1,908,799	\$1,966,063	\$2,025,045	\$2,085,796	\$7,985,703
Local Share	\$818,057	\$842,599	\$867,877	\$893,913	\$3,422,446
Net Annual Impact	\$2,726,856	\$2,808,662	\$2,892,922	\$2,979,709	\$11,408,149