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TESTIMONY

BILL: Senate Bill 188
BDR: 40-743

HEALTH CARE FINANCING AND POLICY DIVISION

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Good Morning Chairman Raggio and members of the Senate Finance Committee. I am Charles Duarte, Administrator of the Division of Health Care Financing and Policy (DHCFP). With me is Debbra King, the Division's Chief Financial Officer.

I am here today to provide testimony regarding Senate Bill 188.

The bill seeks to address the serious issue of access to health care professionals for all Nevadans. Of particular interest to DHCFP are the provisions of the bill which establishes the Medical Education Council of Nevada. These provisions are covered in section 9 of the bill, page 5, line 25. DHCFP supports the goals and objectives of the Council as

outlined in the bill. A coordinated statewide strategy for Graduate Medical Education (GME) will likely improve access to physicians for all Nevadans, including recipients of Medicaid.

The Centers for Medicare and Medicaid Services (CMS) provide GME reimbursement to qualified providers as part of the Medicare program. CMS has detailed regulations and sets limits for individual providers as to allowable expense and numbers of medical students in the program. These limits are set based on a national cap and analysis of need in each region of the country.

However, for state Medicaid programs, CMS does not provide detailed regulatory guidance for GME reimbursements. However, there are some basic guidelines that CMS will apply to Medicaid reimbursements:

- CMS allows Medicaid to recognize costs which are recognized in the Medicare program. That is Medicaid is generally guided by Medicare cost principles. Therefore, GME is an allowable (but not mandatory) expense for state Medicaid programs.

- Medicaid reimbursements must be directly related to services provided to Medicaid recipients. Block grants to an agency which does not directly provide services to Medicaid recipients may not be allowable.

- CMS requires a single state agency to have authority for a state Medicaid program.

Currently, Nevada Medicaid only provides direct GME reimbursement, that is, the cost of resident physician salaries, to University Medical Center as part of the terms of a legal settlement. However, DHCFP is currently developing a State Plan amendment to provide for GME reimbursement to acute care hospitals in Nevada with teaching programs. This includes UMC, Sunrise Hospital, and Washoe Medical Center. We anticipate implementation of this amendment before the end of this fiscal year. This change is included in the Executive Budget.

SB 188 empowers the Medical Education Council to administer state and federal funds as may be obtained to achieve the goals and objectives

of the Council. The Council is to maximize federal dollars by utilizing, in part, the state's Medicaid program and even applying directly to CMS for federal Medicaid dollars.

Regarding Medicaid's recipient-based reimbursements, payments must be tied to services provided to Medicaid recipients. Therefore, DHCFP could not transfer Medicaid funds directly to the Council, unless those funds could clearly be attributed to services provided to Medicaid recipients. Additionally, the ability of Medicaid to cover the costs associated with GME is limited to the portion of a provider's clientele which are enrolled in the Medicaid program. For instance, let's say a hospital incurred $1 million in allowable GME expense and 40% of their clientele were Medicaid recipients. That would mean Medicaid could justifiably reimburse $400,000 of that expense.

According to federal regulations, a single agency must have authority for setting Medicaid policy and administering the program in each state. However, Section 9, page 6, lines 1-5 of SB188 seem to empower the

Council to apply directly to CMS for federal Medicaid funding. This would clearly violate CMS regulations. According to these regulations, other State agencies can only function in an advisory capacity to the Medicaid program. Part 431 of Chapter IV of Title 42 of the Code of Federal Regulation states, in part, "The authority of the agency"(meaning the State Medicaid program) "must not be impaired if any of its rules, regulations, or decisions are subject to review, clearance, or similar action by other offices or agencies of the State." However, this does not preclude DHCFP from cooperating with the Medical Education Council of Nevada in achieving its goals.

Now let me turn to the issue of intergovernmental transfers. Section 9, page 6, lines 24-28 of the bill calls for the Council to enter into interlocal agreements with the Department of Human Resources to promote intergovernmental transfer to the Council "for the purpose of receiving and dispersing money to carry out the objectives of the Medical Education Council of Nevada."

Intergovernmental Transfers (IGT) are used by DHCFP in several programs. The purpose of these transfers is to obtain the funds necessary to provide state matching funds in order to make Medicaid payments to providers. So if the Council were to request Medicaid to increase GME reimbursements to teaching hospitals, the Council could transfer state funds to DHCFP. These funds would then be used as State match to provide for supplemental GME payments from the Medicaid program to hospitals for services provided to Medicaid recipients. However, any IGT made for purposes of state match must not come from any federal source.

To ensure SB188 does not conflict with federal law, I would like to recommend some modifications to SB188's language. The bill should clearly delineate the relationship between the Council and the State Medicaid program. The Council can serve in an advisory capacity and make recommendations to Medicaid. But it should not have authority over the disbursement of Medicaid funds. The Council could pursue any

non-Medicaid sources of federal funds it chooses, so long as those funds are not sent to Medicaid as state match for federal Medicaid dollars.

In summary, DHCFP supports the creation of a Council to develop GME strategies for the State. Medicaid recipients will certainly benefit from greater access to providers which a statewide GME strategy promises. DHCFP would cooperate with the recommendations of the Council to the extent allowed by state and federal law.

Thank you for the opportunity to provide testimony regarding Senate Bill 188. I would be pleased to answer any questions the committee may have at this time.