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## TESTIMONY

**BILL: Senate Bill 235 – First Reprint**  
**BDR: 38-746**

**HEALTH CARE FINANCING AND POLICY DIVISION**

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Good Afternoon Chairman Raggio and members of the Senate Finance Committee. I am Charles Duarte, Administrator of the Division of Health Care Financing and Policy (DHEFP). I am here today to provide testimony regarding Senate Bill 235 – 1<sup>st</sup> Reprint which makes changes to the administration of the Medicaid Disproportionate Share Hospital (DSH) program. This bill revises the method of distributing DSH funds to qualified hospitals. DSH is a \$70 million Medicaid program, providing critical funding to hospitals for care of the indigent and uninsured.

The position of the State is to preserve the State's net benefit from the program as contained in the Executive Budget and to protect

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the net benefits to rural hospitals. Otherwise, the State does not have a position on how DSH funds should be distributed among hospitals, so long as it does not reward inefficiency or conflict with federal law.

The Division is opposed to SB235 in its current form. The bill does appear to retain the benefits for rural hospitals. However, our primary concern is the changes it makes to intergovernmental transfers (IGT). In this context, IGTs are transfers from county governments to the State. The purpose of these transfers is to provide state matching funds for the federal DSH dollars. IGT in excess of the matching funds is retained by DHCFP and used as matching funds for other medical payments in the Medicaid program.

The provisions of this bill reduce the amount of IGT the State collects, resulting in a reduction of net state benefit of approximately \$1.2 million in SFY04 and \$987,000 in SFY05 for

a total of \$2.2 million in the next biennium. The Executive Budget anticipated all net state benefit, as calculated under the existing DSH program, would be used to offset general fund appropriations in SFY04 and SFY05. Therefore, any reduction in net state benefit would necessitate a like increase in general fund appropriation.

SB235-1<sup>st</sup> Reprint seeks to implement the recommendations of the Senate Health Committee's Indigent Care Costs and Disproportionate Share report. The bill is based on an assumption of \$76,000,000 of total DSH payments per year. However, DHCFP is currently estimating available DSH funds at approximately \$70 million in SFY04 and \$68.8 million in SFY05. The reduction in available DSH for Nevada is due to changes in federal regulations calculating DSH allotments nationwide and increases in Nevada's Federal Medical Assistance Payment (FMAP).

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SB235 addresses decreased federal funding for DSH by requiring DHCFP to reduce the pools and guarantees proportionally.

Thank you for the opportunity to provide testimony regarding SB235 1<sup>st</sup> Reprint. I would be pleased to answer any questions the committee may have at this time.