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FEDERAL COURTS

DC Circuit allows Medicaid managed care costs in DSH calculations. On July 21, 2000, the Federal Court of Appeals for the District of Columbia upheld a lower court's determination that the District of Columbia may not exclude operating costs incurred by hospitals in their service of Medicaid managed care patients when calculating disproportionate share hospital (DSH) payments. The federal Appeals Court found that the plain language of the controlling statute includes all amounts paid under the state plan and that the statute is thereby broad enough to include Medicaid managed care costs. The court rejected the District of Columbia's offer of a letter from the General Accounting Office asserting that States have the discretion to exclude Medicaid managed care payments from the calculation of DSH payments. *The District of Columbia Hospital Association v. District of Columbia*, D.C. Cir. (Opinion issued July 21, 2000).

FEDERAL AGENCY DECISIONS

HCFA issues final rule on electronic transactions. Pursuant to its authority under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), HCFA issued a final rule adopting standards for electronic transactions used by health plans, health care clearinghouses and certain health care providers. The rule appears in the August 17, 2000 issue of the Federal Register and is effective October 16, 2000. Affected entities have two years to make the necessary changes in their operations to implement the new regulations; small health plans (less than \$5 million in annual gross receipts) are given three years to comply. The rule addresses a wide variety of electronic transactions between health plans and the providers, including, but not limited to payments, COB, enrollment, eligibility and referral certifications/authorizations. This is one of several rules mandated by HIPAA with regard to simplification of the insurance administration and protection of patient information.

Government studies claim Medicare MCOs adequately compensated. Despite recent mass pullouts of Medicare managed care organizations (MCOs), the Office of Inspector General finds that the modifications to payment methodology under the Balanced Budget Act (BBA) of 1997 were necessary to correct problems that resulted in overcompensation of MCOs. This report is issued on the heels of a report issued by the General Accounting Office in late August, which estimated that HCFA spent \$3.2 billion more on enrollees in MCOs in 1998 than if the beneficiaries had received coverage through the traditional fee-for-service Medicare. The GAO report opined that the excess payments helped finance additional benefits that were offered by many MCOs. The report concludes that MCOs were overcompensated for the package of benefits that was originally intended but not enough for the package of services actually offered by the MCOs to attract beneficiaries.

HCFA releases Medicaid managed care fraud and abuse guidelines. On August 7, 2000, HCFA released a document entitled "*Guidelines for Addressing Fraud and Abuse in Medicaid Managed Care.*" The document identifies specific practices and activities that may rise to the level of fraud and abuse in the Medicaid managed care setting. The guidelines are designed to help States implement effective standards for improving fraud and abuse prevention, detection and investigation, and provide guidance to plans and providers who provide services to the Medicaid population. The guidelines are available on the HCFA website at www.hcfa.gov/medicaid/smd80700.htm

STUDIES

NCQA finds managed care quality improving. On September 6, 2000, the NCQA issued its "*State of Managed Care Quality Report.*" The fourth edition of the annual report is based on the compilation of information from NCQA's Accreditation and HEDIS programs. The report concludes that, at least among the plans that are willing to release their results, quality is on the rise. The 63-page report compares health plan performance on a regional basis with regard to HEDIS effectiveness of care measures. A copy of the report is available on the NCQA website at www.ncqa.org

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