

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1021-01
Bill No.: Perfected SB 189
Subject: Taxation and Revenue - General; Tax Credits; Pharmacy; Hospitals; Nursing and Boarding Homes
Type: Original
Date: February 24, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Nursing Facility Reimbursement Allowance Fund*	\$0	\$0	\$0
Nursing Facility Quality of Care Fund**	\$0	\$0	\$0
Federal Reimbursement Allowance Fund***	\$0	\$0	\$0
Pharmacy Reimbursement Allowance Fund****	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Revenues and expenditures of approximately \$97,000,000 net to \$0.

**Revenues and expenditures of up to approximately \$8,000,000 net to \$0.

***Revenues and expenditures of approximately \$476,000,000 net to \$0.

****Revenues and expenditures of approximately \$45,000,000 net to \$0.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Federal*****	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*****Revenues and expenditures of approximately \$1,000,000,000 net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Attorney General**, the **Department of Health and Senior Services**, and the **Department of Mental Health** assume that this proposal would not fiscally impact their agency.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** assume this legislation gives the DMS the authority to continue the Nursing Facility Federal Reimbursement Allowance, Hospital Federal Reimbursement Allowance and Pharmacy tax program.

DMS states the proposed legislation would extend the Nursing Facility Federal Reimbursement Allowance (NFRA) program to September 30, 2006. The program is set to expire September 30, 2005.

DMS states the proposed legislation would extend the Federal Reimbursement Allowance (FRA) program to September 30, 2006. The program is set to expire September 30, 2005.

DMS states the proposed legislation would extend the Pharmacy Federal Reimbursement Allowance (PFRA) program to June 30, 2006. The program is set to expire June 30, 2005.

The passage of this proposed legislation would not fiscally impact the Division of Medical Services. If the legislation does not pass, additional funding will be needed to maintain the current level of services.

DMS states the proposed legislation will allow DMS to collect \$97,075,949 in nursing facility tax, which will allow DMS to draw in federal funds of \$157,917,350 for the 9 months in fiscal year 2006. The FY06 budget submitted by the DMS assumed that the nursing facility tax would continue through fiscal year 2006. If this legislation does not pass, additional General Revenue funds of \$97,075,949 would be needed to continue the current level of services.

ASSUMPTION (continued)

DMS states the proposed legislation will allow DMS to collect \$476,698,124 in hospital tax, which will allow DMS to draw in federal funds of \$775,464,009 for the 9 months in fiscal year 2006. The FY06 budget submitted by the DMS assumed that the hospital tax would continue through fiscal year 2006. If this legislation does not pass, additional General Revenue funds of \$476,698,124 would be needed to continue the current level of services.

The proposed legislation will allow DMS to collect \$44,938,856 in pharmacy tax, which will allow DMS to draw in federal funds of \$73,103,844 in fiscal year 2006. The FY06 budget submitted by the DMS assumed that the pharmacy tax would continue through fiscal year 2006. If this legislation does not pass, additional General Revenue funds of \$44,938,856 would be needed to continue the current level of services.

<u>FISCAL IMPACT - State Government</u>	FY 2006	FY 2007	FY 2008
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**NURSING FACILITY
 REIMBURSEMENT ALLOWANCE
 FUND** (Section 198.439)

<u>Income - Department of Social Services</u>			
Assessment on Nursing Facilities	\$97,075,949	\$32,358,650	\$0
<u>Costs - Department of Social Services</u>			
Medicaid Program Costs	(\$97,075,949)	(\$32,358,650)	\$0

**ESTIMATED NET EFFECT ON
 NURSING FACILITY
 REIMBURSEMENT ALLOWANCE
 FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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NURSING FACILITY QUALITY OF CARE FUND (Section 198.439)

<u>Transfer in - Department of Social Services</u>	Unknown up to	Unknown up to	
Up to 5% from Federal Fund	\$7,895,868	\$2,631,956	\$0

<u>Expenditures - Department of Social Services</u>	(Unknown up to	(Unknown up to	
Program Expenditures	<u>\$7,895,868</u>)	<u>\$2,631,956</u>)	<u>\$0</u>

ESTIMATED NET EFFECT ON NURSING FACILITY QUALITY OF CARE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FEDERAL REIMBURSEMENT ALLOWANCE FUND (Section 208.480)

<u>Income - Department of Social Services</u>			
Assessment on Hospitals	\$476,698,124	\$158,899,375	\$0

<u>Costs - Department of Social Services</u>			
Medicaid Program Costs	<u>(\$476,698,124)</u>	<u>(\$158,899,375)</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON FEDERAL REIMBURSEMENT ALLOWANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**PHARMACY REIMBURSEMENT
 ALLOWANCE FUND (Section
 338.550)**

<u>Income - Department of Social Services</u>			
Assessment on Pharmacies	\$44,938,856	\$14,979,619	\$0
<u>Costs - Department of Social Services</u>			
Medicaid Program Costs	<u>(\$44,938,856)</u>	<u>(\$14,979,619)</u>	<u>\$0</u>

**ESTIMATED NET EFFECT ON
 PHARMACY REIMBURSEMENT
 FUND** **\$0** **\$0** **\$0**

FEDERAL

<u>Income - Department of Social Services</u>			
Assessment on Nursing Facilities	\$157,917,350	\$52,639,117	\$0
Assessment on Hospitals	\$775,464,009	\$258,488,003	\$0
Assessment on Pharmacies	<u>\$73,103,844</u>	<u>\$0</u>	<u>\$0</u>
	\$1,006,485,203	\$311,127,120	\$0

<u>Costs - Department of Social Services</u>			
Medicaid program expenditures	(Unknown up to \$998,589,335)	(Unknown up to \$308,495,164)	\$0

<u>Transfer out - Department of Social Services</u>			
To Nursing Facility Quality of Care Fund	<u>(Unknown up to \$7,895,868)</u>	<u>(Unknown up to \$2,631,956)</u>	<u>\$0</u>

**ESTIMATED NET EFFECT ON
 FEDERAL FUNDS** **\$0** **\$0** **\$0**

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

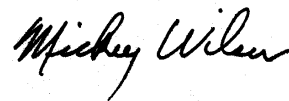
This proposal extends the sunset on the pharmacy providers tax, the hospital federal reimbursement allowance, and the nursing home federal reimbursement allowance by one year. Currently, each is set to expire in 2005.

The proposal contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Department of Social Services
Department of Mental Health
Department of Health and Senior Services



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Director
February 24, 2005