

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1021-02
Bill No.: Truly Agreed to and Finally Passed HCS for SB 189
Subject: Taxation and Revenue - General; Tax Credits; Pharmacy; Hospitals; Nursing and Boarding Homes
Type: Original
Date: May 5, 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 9 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
Medicaid-only Health Benefit Plan Reimbursement Allowance Fund	\$29,800,000	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$29,800,000	\$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)** state the following:

Section 198.439

The proposal 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)

Sections 208.431 - 208.437

DMS states this proposal requires Medicaid-only health benefit plans to pay a reimbursement allowance for the privilege of engaging in the business of providing health benefit services in Missouri. All amounts remitted shall be deposited in the Medicaid-Only Health Benefits Plan Reimbursement Allowance Fund for the sole purpose of providing payment to Medicaid-only health benefits plans.

The Division of Medical Services (DMS) contracts with managed care organizations (MCOs) to provide medical assistance to individuals eligible under Section 208.151. The actuarial consultant for DMS would renegotiate the current contracts with the MCOs and the managed care capitation rates would be increased. The Centers for Medicare and Medicaid Services (CMS) requires that capitation payments be actuarially sound. Federal financial participation is contingent upon CMS' approval of the managed care contracts. DMS assumes that CMS will approve the revised contracts.

Similar provider tax assessments are currently imposed on hospitals, nursing homes, and pharmacies. The assessment is a general revenue equivalent and when used to make valid Medicaid payments, earns federal dollars.

Preliminary estimates based on 2004 Medicaid Total Revenues reported in the Missouri Department of Insurance reports indicates a total Medicaid Managed Care provider tax assessment of \$51.2 million based on a 5.99% tax assessment rate. The \$51.2 million would be collected by a monthly offset to the Medicaid managed care capitation payments made to each MCO.

Since the provider tax is a cost of doing business in the state, the administration portion of the MCOs' capitation payment would increase to take into account the tax paid on a per member, per month basis. Based on preliminary estimates, the capitation payments will increase a total of \$56 million. The reimbursement allowance would generate an additional \$29.8 million in state profit.

Section 208.480

The proposal 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

ASSUMPTION (continued)

needed to continue the current level of services.

Section 338.550:

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 Department 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.

This bill only grants a one-year extension for the Nursing Facility Federal Reimbursement Allowance, Hospital Federal Reimbursement Allowance and Pharmacy tax program.

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

Income - Department of Social Services

Assessment on Nursing Facilities	\$97,075,949	\$32,358,650	\$0
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Costs - Department of Social Services

Medicaid Program Costs	<u>(\$97,075,949)</u>	<u>(\$32,358,650)</u>	<u>\$0</u>
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**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

**MEDICAID-ONLY HEALTH
 BENEFIT PLAN REIMBURSEMENT
 ALLOWANCE FUND**

<u>Income - Department of Social Services - Division of Medical Services</u>			
Net Medicaid-only health benefit plan reimbursement allowance	<u>\$29,800,000</u>	<u>\$0</u>	<u>\$0</u>

**ESTIMATED NET EFFECT TO
 MEDICAID-ONLY HEALTH
 BENEFIT PLAN REIMBURSEMENT
 ALLOWANCE FUND** \$29,800,000 \$0 \$0

FEDERAL

Income - Department of Social Services

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

Costs - Department of Social Services

Medicaid program expenditures	(Unknown up to \$998,589,335)	(Unknown up to \$308,495,164)	\$0
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Transfer out - Department of Social Services

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>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS

\$0 \$0 \$0

FISCAL IMPACT - Local Government

FY 2006 FY 2007 FY 2008
 (10 Mo.)

\$0 \$0 \$0

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.

Beginning July 1, 2005, each Medicaid-only health benefit plan in this state shall pay a Medicaid-only health benefit plan reimbursement allowance for the privilege of engaging in the business of providing health benefit services in this state. The Department of Social Services

DESCRIPTION (continued)

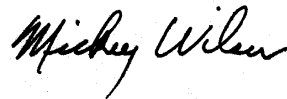
may offset the health benefit plan reimbursement allowance owed by the Medicaid-only health benefit plan against any payment due that health benefit plan only if the health benefit plan requests such an offset. The amounts to be offset shall result, so far as practicable, in withholding from the health benefit plan an amount substantially equivalent to the reimbursement allowance owed by the health benefit plan. The amount remitted shall be deposited in the state treasury to the credit of the "Medicaid-only Health Benefit Plan Reimbursement Allowance Fund", which is hereby created for the sole purposes of providing payment to Medicaid-only health benefit plans. This proposal shall expire on June 30, 2006.

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



Mickey Wilson, CPA
Director
May 5, 2005