

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0545-02
Bill No.: SCS for SB 4
Subject: Health Care; Medicaid; Pharmacy; Taxation and Revenue-General
Type: Original
Date: February 12, 2007

Bill Summary: This proposal extends Federal Reimbursement Allowance, Pharmacy Tax, Nursing Facility reimbursement allowance, and Medicaid managed care reimbursement allowance sunsets.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Nursing Facility Reimbursement Allowance Fund*	\$0	\$0	\$0
Medicaid Managed Care Organization Reimbursement Allowance 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 \$95M in FY08, \$133M in FY09 and \$140M in FY10 net to \$0.

**Revenues and expenditures of up to approximately \$52M in FY08, \$55M in FY09 and \$57M in FY10 net to \$0.

***Revenues and expenditures of approximately \$617M in FY08, \$860M in FY09 and \$899M in FY10 net to \$0.

****Revenues and expenditures of approximately \$34M in FY08, \$36M in FY09 and \$38M in FY10 net to \$0.

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Federal Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Revenues and expenditures of approximately \$1.3B in FY08, \$1.8B in FY09 and \$1.9B in FY10 net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services** and the **Department of Mental Health** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the passage of the proposed legislation would not fiscally impact the DMS. However, if the proposed legislation does not pass, additional funding will be needed to maintain the current level of services.

Section 198.439 – Nursing Facility Reimbursement Allowance:

The proposed legislation allows the DMS to collect \$95,889,233 in nursing facility tax, which will allow DMS to draw in federal funds of \$159,271,046 for the nine months in fiscal year 2008. The FY '08 budget submitted by the Department of Social Services (DSS) assumed that the nursing facility tax would continue through fiscal year 2008. If this proposed legislation does not pass, additional General Revenue funds of \$95,889,233 would be needed to continue the current level of services.

ASSUMPTION (continued)

Section 208.437 – Managed Care Organization Reimbursement Allowance:

The proposed legislation allows the DMS to collect \$52,557,899 in managed care provider tax, which will allow DMS to draw in federal funds of \$87,298,139 in fiscal year 2008. The FY '08 budget submitted by the DSS assumed that the managed care provider tax would continue through fiscal year 2008. If this proposed legislation does not pass, additional General Revenue funds of \$52,557,899 would be needed to continue the current level of services.

Section 208.480 – Hospital Reimbursement Allowance:

The proposed legislation allows the DMS to collect \$617,564,622 in hospital tax, which will allow DMS to draw in federal funds of \$1,025,768,592 for the nine months in fiscal year 2008. The FY '08 budget submitted by the DSS assumed that the hospital tax would continue through fiscal year 2008. If this proposed legislation does not pass, additional General Revenue funds of \$617,564,622 would be needed to continue the current level of services.

Section 338.550 – Pharmacy Provider Tax:

The proposed legislation allows the DMS to collect \$34,700,000 in pharmacy tax, which will allow DMS to draw in federal funds of \$57,636,349 in fiscal year 2008. The FY '08 budget submitted by the DSS assumed that the pharmacy tax would continue through fiscal year 2008. If this proposed legislation does not pass, additional General Revenue funds of \$34,700,000 would be needed to continue the current level of services.

The proposed legislation only grants a one-year extension for the NFFRA, the Managed Care Organization Reimbursement Allowance, the Hospital FRA, and the Pharmacy Tax programs.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
NURSING FACILITY REIMBURSEMENT ALLOWANCE FUND (Section 198.439)			
<u>Income - Department of Social Services</u>			
Assessment on Nursing Facilities	\$95,889,233	\$133,605,664	\$139,617,919
<u>Costs - Department of Social Services</u>			
Medicaid Program Costs	<u>(\$95,889,233)</u>	<u>(\$133,605,664)</u>	<u>(\$139,617,919)</u>
ESTIMATED NET EFFECT ON NURSING FACILITY REIMBURSEMENT ALLOWANCE FUND			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
MEDICAID MANAGED CARE ORGANIZATION REIMBURSEMENT ALLOWANCE FUND (Section 208.437)			
<u>Income - Department of Social Services</u>			
Assessment on Medicaid managed care organizations	\$52,557,899	\$54,923,005	\$57,394,540
<u>Costs - Department of Social Services</u>			
Medicaid Program Costs	<u>(\$52,557,899)</u>	<u>(\$54,923,005)</u>	<u>(\$57,394,540)</u>
ESTIMATED NET EFFECT ON MEDICAID MANAGED CARE ORGANIZATION REIMBURSEMENT ALLOWANCE FUND			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**FEDERAL REIMBURSEMENT
ALLOWANCE FUND** (Section
208.480)

Income - Department of Social Services

Assessment on Hospitals	\$617,564,622	\$860,473,373	\$899,194,675
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Costs - Department of Social Services

Medicaid Program Costs	<u>(\$617,564,622)</u>	<u>(\$860,473,373)</u>	<u>(\$899,194,675)</u>
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**ESTIMATED NET EFFECT ON
FEDERAL REIMBURSEMENT
ALLOWANCE FUND**

\$0

\$0

\$0

**PHARMACY REIMBURSEMENT
ALLOWANCE FUND** (Section
338.550)

Income - Department of Social Services

Assessment on Pharmacies	\$34,700,000	\$36,261,500	\$37,893,267
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Costs - Department of Social Services

Medicaid Program Costs	<u>(\$34,700,000)</u>	<u>(\$36,261,500)</u>	<u>(\$37,893,267)</u>
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**ESTIMATED NET EFFECT ON
PHARMACY REIMBURSEMENT
FUND**

\$0

\$0

\$0

FEDERAL

Income - Department of Social Services

Assessment on Nursing Facilities	\$159,271,046	\$221,917,658	\$231,903,952
Assessment on Medicaid managed care organizations	\$87,298,139	\$91,226,555	\$95,331,750
Assessment on Hospitals	\$1,025,768,592	\$1,429,237,572	\$1,493,553,262
Assessment on Pharmacies	<u>\$57,636,349</u>	<u>\$60,229,985</u>	<u>\$62,940,334</u>
	<u>\$1,329,974,126</u>	<u>\$1,802,611,770</u>	<u>\$1,883,729,298</u>

Costs - Department of Social Services

Medicaid program expenditures	<u>(\$1,329,974,126)</u>	<u>(\$1,802,611,770)</u>	<u>(\$1,883,729,298)</u>
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**ESTIMATED NET EFFECT ON
FEDERAL FUNDS**

\$0 **\$0** **\$0**

FISCAL IMPACT - Local Government

FY 2008 (10 Mo.)	FY 2009	FY 2010
<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.

FISCAL DESCRIPTION

This proposal extends the sunsets for the Medicaid Managed Care Organization reimbursement allowance and the Pharmacy Tax from June 30, 2007, to June 30, 2011. Also, the sunset of the Federal Reimbursement Allowance assessment and Nursing Facility Reimbursement Allowance are extended from September 30, 2007 to September 30, 2011.

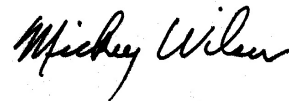
This proposal contains an emergency clause.

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

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SOURCES OF INFORMATION

Department of Social Services
Department of Health and Senior Services
Department of Mental Health
Office of the Secretary of State



Mickey Wilson, CPA
Director
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