

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0545-02
Bill No.: Truly Agreed To and Finally Passed SCS for SB 4
Subject: Health Care; Medicaid; Pharmacy; Taxation and Revenue-General
Type: Original
Date: June 1, 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 and \$128M in FY09 and FY10 net to \$0.

**Revenues and expenditures of approximately \$58M in FY08 and FY09 net to \$0.

***Revenues and expenditures of approximately \$617M in FY08, \$823M in FY09 and \$206M in FY10 net to \$0.

****Revenues and expenditures of approximately \$35M in FY08 and FY09 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 and \$1.7B in FY09 and \$554M 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.

In response to a previous version of this proposal, officials from the **Office of Secretary of State (SOS)** stated 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 (DSS) - 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:

This 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. For FY09 and FY10, the DMS will collect \$127,852,311 each year, allowing DMS to draw in federal funds of \$212,361,396 each year. The FY 08 budget submitted by the 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 for FY08 and an additional \$127,852,311 for FY09 and FY10.

ASSUMPTION (continued)

Section 208.437 - Managed Care Organization Reimbursement Allowance:

This legislation allows the DMS to collect \$57,690,285 in managed care provider tax, which will allow DMS to draw in federal funds of \$95,822,980 in fiscal year 2008 and in fiscal year 2009. 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 \$57,690,285 would be needed to continue the current level of services for FY08 and FY09.

Section 208.480 - Hospital Reimbursement Allowance:

This 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. For FY09 the DMS will collect \$823,419,496 allowing DMS to draw in federal funds of \$1,367,691,457. For FY10 the DMS will collect \$205,854,874 allowing DMS to draw in federal funds of \$341,922,864 for three months. 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 for FY08 and \$823,419,496 for FY09 and \$205,854,874 for FY10.

Section 338.550 - Pharmacy Provider Tax:

This 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 and fiscal year 2009. 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 for FY08 and FY09.

This legislation grants a four-year extension for the NFFRA and a two-year extension for the Hospital FRA, Managed Care Organization Reimbursement Allowance 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	\$127,852,311	\$127,852,311
<u>Costs - Department of Social Services</u>			
Medicaid Program Costs	<u>(\$95,889,233)</u>	<u>(\$127,852,311)</u>	<u>(\$127,852,311)</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	\$57,690,285	\$57,690,285	\$0
<u>Costs - Department of Social Services</u>			
Medicaid Program Costs	<u>(\$57,690,285)</u>	<u>(\$57,690,285)</u>	<u>\$0</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)

<u>Income - Department of Social Services</u>			
Assessment on Hospitals	\$617,564,622	\$823,419,496	\$205,854,874
<u>Costs - Department of Social Services</u>			
Medicaid Program Costs	<u>(\$617,564,622)</u>	<u>(\$823,419,496)</u>	<u>(\$205,854,874)</u>

**ESTIMATED NET EFFECT ON
FEDERAL REIMBURSEMENT
ALLOWANCE FUND** \$0 \$0 \$0

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

<u>Income - Department of Social Services</u>			
Assessment on Pharmacies	\$34,700,000	\$34,700,000	<u>\$0</u>
<u>Costs - Department of Social Services</u>			
Medicaid Program Costs	<u>(\$34,700,000)</u>	<u>(\$34,700,000)</u>	<u>\$0</u>

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

FEDERAL

Income - Department of Social Services

Assessment on Nursing Facilities	\$159,271,046	\$212,361,396	\$212,361,396
Assessment on Medicaid managed care organizations	\$95,822,980	\$95,822,980	\$0
Assessment on Hospitals	\$1,025,768,592	\$1,367,691,457	\$341,922,864
Assessment on Pharmacies	<u>\$57,636,349</u>	<u>\$57,636,349</u>	<u>\$0</u>
	<u>\$1,338,498,967</u>	<u>\$1,733,512,182</u>	<u>\$554,284,260</u>

Costs - Department of Social Services

Medicaid program expenditures	<u>(\$1,338,498,967)</u>	<u>(\$1,733,512,182)</u>	<u>(\$554,284,260)</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, 2009. Also, the sunset of the Federal Reimbursement Allowance assessment and Nursing Facility Reimbursement Allowance are extended from September 30, 2007 to September 30, 2009.

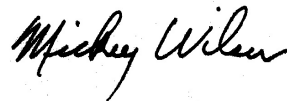
This proposal contains an emergency clause.

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent "M" and "W".

Mickey Wilson, CPA
Director
June 1, 2007