

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1446-01
Bill No.: SB 307
Subject: Ambulances and Ambulance Districts; Revenue Dept.; Social Services Dept.;
 Taxation and Revenue - General; Treasurer, State
Type: Original
Date: February 23, 2009

Bill Summary: Would impose a gross receipts tax on certain ambulance service providers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$24,725)	(\$30,547)	(\$31,463)
Total Estimated Net Effect on General Revenue Fund	(\$24,725)	(\$30,547)	(\$31,463)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Ambulance Service Reimbursement Allowance*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds *	\$0	\$0	\$0

* Income and costs of approximately Unknown in FY10, FY11 and FY12 would 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 2010	FY 2011	FY 2012
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds *	\$0	\$0	\$0

* Income and costs of approximately \$24,725 in FY10, \$30,547 in FY11 and \$31,463 in FY12 would net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	0.5	0.5	0.5
Federal	0.5	0.5	0.5
Total Estimated Net Effect on FTE	1	1	1

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 2010	FY 2011	FY 2012
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** stated that 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Department of Revenue (DOR)** assume Corporate Tax would require one (1) Revenue Processing Technician I (Range 10, Step L) that would be needed to pre-edit and key the returns reporting the gross receipts. The Department is unaware of the number of ambulance services that exist; therefore, the number of FTE corporate tax would require has been estimated.

Oversight assumes the DOR could absorb one Revenue Processing Technician FTE.

Officials from the **Department of Social Services - Division of Legal Services** assumes that the appeals to the director would be handled by MO HealthNet Division and reflected in their fiscal note. The hearings unit holds no other Medicaid provider hearings. If the appeals were by rule or decision of the director handled by DLS, it is unknown how many cases this may involve per year.

Officials from the **Department of Social Services - Family Support Division (FSD)** state FSD currently does not determine eligibility specifically based on the submission of a completed application for medical assistance for services of an ambulance service. FSD does not anticipate any new applications as a result of this legislation. Therefore, there is no fiscal impact.

ASSUMPTION (continued)

Officials from the **Department of Social Services - MO HealthNet Division (MHD)** states the legislation requires licensed ambulance services to pay a reimbursement allowance for the privilege of engaging in the business of providing services in Missouri. All amounts remitted shall be deposited in the Ambulance Service Reimbursement Allowance Fund for the purpose of providing payment to ambulance services.

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

To determine the federal reimbursement allowance assessment for each ambulance service the MO HealthNet Division (MHD) would need currently unavailable data such as revenues, expenses, total utilization, and Medicaid utilization. This legislation requires ambulance services to provide a report of gross receipts to the DOR and the DOR would provide that information to the DSS. This data would allow the DSS to determine the amount of the reimbursement allowance tax due from each ambulance service.

The MHD would need 1 full time equivalent staff to administer this reimbursement allowance program. This staff would establish the annual tax, monthly amounts, perform monthly or cycle billings, reconcile receivables, handle appeals of tax amounts, and review quarterly tax adjustment requests. This staff person would also have frequent correspondence and communication with the ambulance services regarding their assessments, payments, and other inquiries.

The MHD must obtain approval from the federal Centers for Medicare and Medicaid Services (CMS) for the proposed ambulance service federal reimbursement allowance. At a minimum, MHD must submit for CMS's review and approval a Medicaid state plan amendment for the ambulance service program. CMS would demand voluminous supporting documentation for this state plan amendment as part of its review. Approval of such an amendment is not certain.

The FTE staff needed would be hired as an Auditor I the first year and would promote to an Auditor II in the subsequent years. The costs associated with this employee include their salary, equipment and expenses. Administrative costs receive a 50% match rate.

ASSUMPTION (continued)

This proposal states that DSS shall make payments to those ambulance services that have a valid provider agreement. The ambulance service reimbursement allowance shall not be used to supplant, and shall be in addition to general revenue payments to ambulance services.

MHD currently pays ambulance services on a fee for service basis for Title XIX participants. Capitation payments are made for Managed Care participants.

MHD assumes the intent of the legislation is to impose a provider tax on ambulance providers which would be used to provide for a rate increase for ambulance services. It is further assumed that the intent of the legislation is to require that the reimbursement allowance payment would be made in addition to the regular rate reimbursement.

Similar provider tax assessments are 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.

It is not known how much revenue would be raised under this tax. As an example, if there is \$100 million in total revenue for ambulance services and the tax rate is 2% of the ambulance revenue then the tax revenue would be \$2 million. The \$2 million acts as a general revenue equivalent for ambulance payments and would draw federal matching funds of \$3,405,504 for total increase in ambulance payments of \$5,405,405. This is the amount that would be expended in additional payments to the ambulance service providers. The state share of the expenditure is the \$2.0 million collected and the federal share is \$3.4 million. Since the same amount of general revenue is expended there is no fiscal impact to the general revenue fund from this section of the legislation.

FY10 Total cost is \$49,452 (\$24,725 GR);
FY11 Total cost is \$61,095 (\$30,547 GR); and
FY12 Total cost is \$62,928 (\$31,463 GR).

Oversight assumes the one FTE would be paid from the General Revenue and Federal Funds. Oversight assumes the rate increase would be paid from the Ambulance Service Reimbursement Allowance and Federal Funds from unknown assessment income.

ASSUMPTION (continued)

Officials from the **Office of State Courts Administrators**, the **Office of the State Treasurer**, the **Office of Administration**, **Administrative Hearing Commission**, the **Department of Health and Senior Services**, the **University of Missouri**, **Cass County**, **St. Louis County**, the **City of Centralia**, the **City of West Plains**, assume this proposal would have no fiscal impact to their organization.

Officials from the **City of Kansas City** assume this proposal would have a positive fiscal impact to their organization due to an increase in reimbursement for Medicaid patient services. Kansas City officials assume the proposal would generate approximately \$14 million statewide.

Officials from the **City of Joplin** provided a response but did not indicate an estimated fiscal impact.

Officials from the **St. Charles County Ambulance District** assume this proposal would result in an increased payment for Medicaid patients possibly offset by an increase in costs for the gross receipts tax.

Oversight will assume for fiscal note purposes that local governments would have an unknown positive fiscal impact due to increased reimbursements for ambulance services.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
<u>Costs - Department of Social Services</u>			
Personal Service (0.5 FTE)	(\$14,767)	(\$20,988)	(\$21,618)
Fringe Benefits	(\$6,530)	(\$9,281)	(\$9,559)
Equipment and Expense	<u>(\$3,428)</u>	<u>(\$278)</u>	<u>(\$286)</u>
Total Costs - DSS	<u>(\$24,725)</u>	<u>(\$30,547)</u>	<u>(\$31,463)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$24,725)</u>	<u>(\$30,547)</u>	<u>(\$31,463)</u>
Estimated Net FTE Change for General Revenue Fund	0.5	0.5	0.5
AMBULANCE SERVICE REIMBURSEMENT FUND			
Income - Department of Social Services	Unknown	Unknown	Unknown
<u>Costs - Department of Social Services</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON AMBULANCE SERVICE REIMBURSEMENT FUND	\$0	\$0	\$0

FEDERAL FUNDS

Income - Department of Social Services

Federal Assistance	\$24,725	\$30,547	\$31,463
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Costs - Department of Social Services

Personal Service (0.5FTE)	(\$14,767)	(\$20,988)	(\$21,618)
Fringe Benefits	(\$6,530)	(\$9,281)	(\$9,559)
Equipment and Expense	(\$3,428)	(\$278)	(\$286)
Total Costs - DSS	<u>(\$24,725)</u>	<u>(\$30,547)</u>	<u>(\$31,463)</u>

**ESTIMATED NET EFFECT ON
 FEDERAL FUNDS**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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Estimated Net FTE Change for Federal Funds	0.5	0.5	0.5
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<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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LOCAL GOVERNMENTS

<u>Revenue increase - ambulance fee increases</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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**ESTIMATED NET EFFECT ON
 LOCAL GOVERNMENTS**

<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Small Business

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

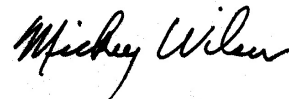
FISCAL DESCRIPTION

This proposal would impose a gross receipts tax on certain ambulance service providers.

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 State Courts Administrator
Office of the Secretary of State
Office of the State Treasurer
Office of Administration
 Administrative Hearing Commission
Department of Health and Senior Services
Department of Revenue
Department of Social Services
University of Missouri
Cass County
St. Louis County
City of Centralia
City of Joplin
City of Kansas City
City of West Plains
St. Charles County Ambulance District



Mickey Wilson, CPA
Director
February 23, 2009