

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1446-07
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SS for SB 307
Subject: Ambulances and Ambulance Districts; Revenue Dept.; Social Services Dept.;
Taxation and Revenue - General; Treasurer, State
Type: Original
Date: May 29, 2009

Bill Summary: Would impose a gross receipts tax on certain health care service providers, and would authorize certain counties to replace a county hospital property tax with a sales tax.

FISCAL SUMMARY

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Ambulance Service Reimbursement Allowance *	\$0	\$0	\$0
Home and Community-Based Developmental Disabilities Waiver Reimbursement Allowance *	\$0	\$0	\$0
In-Home Services Gross Receipts Tax *	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds *	\$0	\$0	\$0

* Unknown income and costs would net to \$0.

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 to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

* Net of additional revenues and costs.

FISCAL ANALYSIS

ASSUMPTION

Health Care Provider Tax Provisions

This proposal would impose a gross receipts tax upon certain ambulance service providers in an amount not to exceed six percent per year. Revenues derived from the tax would be deposited into the newly created Ambulance Service Reimbursement Allowance Fund to provide additional payments to ambulance service providers which have valid MO HealthNet agreements with the state. The amount of tax owed by each such ambulance service provider would be based upon gross receipts information provided to the Department of Social Services. The proposal includes provisions allowing for the appeal of assessments imposed by the state, and for the enforcement and collection of the tax. Failure to pay the assessment would be grounds for denial, suspension, or revocation of the ambulance service's license. The provisions would expire on September 30, 2011. Reimbursement for ambulance services would be based on mileage calculations from the point of pick up to the destination.

The proposal would also provide that providers of residential habilitation, individualized supported living or day habilitation services in this state would pay a certification fee based on a formula set forth in rules promulgated by the Department of Mental Health beginning July 1, 2009. Imposition of the fee would be contingent on federal approval. Fee payments under this act would be deposited in the Home and Community-Based Developmental Disabilities Waiver Reimbursement Allowance Fund. The Department of Social Services would be authorized to withhold payments to providers from the state to satisfy delinquent fees. The provisions include procedures for appealing a fee assessment reimbursements. The provisions would expire September 30, 2011.

This proposal would also impose a tax upon providers of in-home services. The tax would not exceed six and one-half percent of the gross receipts of in-home service providers, based on a formula set out in rules promulgated by the Department of Social Services (DOS). The tax would be contingent on authorization by the federal centers for Medicare & Medicaid services. Revenues derived from the tax would be placed into the newly created In-Home Services Gross Receipts Tax Fund. DOS would be granted authority to revoke, or not renew, a provider agreement if the provider fails to pay the tax imposed. The provisions include conditions which may result in the expiration of the tax. The provisions of the act creating the tax on in-home service providers would expire September 1, 2011.

ASSUMPTION (continued)

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 these provisions would have no fiscal impact on their organization.

DOR officials provided this estimate of the IT cost to implement these provisions.

Officials from the **Office of Administration, Information Technology Service Division (ITSD/DOR)** estimate that the IT portion of this request could be implemented using one FTE existing CIT III for one month for modifications to the MITS system. The cost estimate is \$4,441. ITSD/DOR officials assume these provisions could be implemented with existing resources. If priorities shift, however, additional FTE or overtime would be needed.

Officials from the **Office of State Courts Administrator**, the **Office of the State Treasurer**, the **Office of Administration, Administrative Hearing Commission**, the **University of Missouri**, and the **City of Centralia** assume these provisions would have no fiscal impact to their organizations.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume these provisions would have no fiscal impact to their organization. BAP officials stated these provisions would increase total state revenue subject to the limitations imposed by the Hancock Amendment.

ASSUMPTION (continued)

Officials from the **Department of Mental Health** (DMH) stated that these provisions would allow the Division of Developmental Disabilities to charge a fee that covers the state cost of the provider certification process. State funds would be freed up that are currently used to support the certification process, estimated at \$834,322. Those funds would be used for other purposes, including increases in the reimbursement rates of the providers.

The annual certification fee would be approximately \$1,000 per site. The Division would transfer funding from the Home and Community-Based Developmental Disabilities Waiver Reimbursement Allowance Fund to the General Revenue Fund.

Oversight assumes the fees would be used to match additional federal funding for services and that the fees and the additional funding would be paid to service providers. Oversight will not indicate any additional revenue or cost reduction to the General Revenue Fund.

Oversight notes that the provisions regarding DMH provider certification fees have an emergency clause, and would become effective on approval by the General Assembly and the Governor.

Officials from the **Department of Health and Senior Services** (DHSS) assume that Section 208.1005 would require each in-home service provider in the state to pay a reimbursement allowance for the privilege of engaging in the business of providing in-home services in this state. DHSS officials stated that Federal regulations (42 CFR 433.55) restrict health-care related taxes, including that they apply only to "health care services" and "health care providers" as defined (in 42 CFR 433.56). Further, DHSS officials stated that in-home service providers are not included on the federal list of "health care services and providers". In addition, Federal regulations (42 CFR 433.56 (19)) list "Other health care items or services not listed above on which the State has enacted a licensing or certification fee", as being eligible for a health-care related tax.

DHSS officials stated that in-home services are not licensed and are exempt from falling under this category. It is the opinion of DHSS officials that because in-home providers are not included on the federal list of "health care services and providers", that a federal reimbursement allowance would be in violation of Federal regulation. Therefore, DHSS has determined the cost of this fiscal note to be unknown.

ASSUMPTION (continued)

Oversight notes that the provider assessments would be predicated on federal approval, therefore Oversight will not indicate any fiscal impact due to potential regulatory conflict.

Officials from the **Department of Social Services - Division of Legal Services** stated in response to a previous version of these provisions, 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)** stated in response to a previous version of these provisions, that 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.

Officials from the **Department of Social Services - MO HealthNet Division (MHD)** stated that a previous version of these provisions would require licensed ambulance services to pay a reimbursement allowance for the privilege of engaging in the business of providing services in Missouri. All amounts remitted would 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.

ASSUMPTION (continued)

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

These provisions would require DSS to make payments to those ambulance services that have a valid provider agreement. The ambulance service reimbursement allowance could 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.

ASSUMPTION (continued)

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 that one additional FTE would be allocated between the General Revenue Fund and Federal Funds. Oversight assumes the rate increase would be paid from the Ambulance Service Reimbursement Allowance and Federal Funds.

Officials from **Clinton County** assumed a previous version of these provisions could provide an increase in revenues for their organization but there would be a cost to implement the provisions.

Officials from **St. Louis County** assumed a previous version of these provisions would have no fiscal impact to their organization.

Officials from the **City of Kansas City** assumed a previous version of these provisions could have a positive fiscal impact to their organization due to an increase in ambulance service reimbursements. Kansas City officials assume these provisions would generate approximately \$1 million annually for their Metropolitan Ambulance Services Trust.

Officials from **Cass County** stated that the fiscal impact of these provisions to their organization is unknown.

Officials from the **City of West Plains** assumed a previous version of these provisions would have no fiscal impact to their organization.

ASSUMPTION (continued)

Officials from the **City of Raytown** and the **City of Joplin** provided a response to a previous version of these provisions but did not indicate an estimated fiscal impact.

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

Oversight will assume for fiscal note purposes that these provisions would allow state agencies to collect provider fees that would be used to match increased federal reimbursements, and that local governments would have an unknown increase in reimbursements for ambulance services, which would be greater than unknown fee assessments. Oversight will indicate the additional costs and revenues in a Health Care Provider Reimbursement Fund.

County Hospital Tax Provisions

These provisions would allow certain county hospitals to submit to a popular vote a proposal to replace the county hospital property tax with a county hospital sales tax. Moneys collected from the tax will be deposited into the newly created Hospital District Sales Tax Fund with one percent retained and deposited into the General Revenue Fund by the Director of the Department of Revenue for the cost of collection.

Officials from **Ripley County** stated that the cost of a special election could range from \$15,000 to \$18,000 and the cost share if the proposition was submitted to the voters at a general election could range from \$5,000 to \$10,000.

Officials from **Ripley County Memorial Hospital** stated in response to a similar proposal (HB 1181 LR 2487-02) that the hospital currently received property tax revenues of approximately \$260,000 per year. Hospital officials assumed, based on revenue from a half-cent county sales tax levied for law enforcement, that a one cent hospital sales tax would generate approximately \$550,000 to \$600,000 per year.

ASSUMPTION (continued)

Oversight calculated an estimate of the sales tax revenue that would be generated by a one percent sales tax. Based on taxable sales reported by the Missouri Department of Revenue, Ripley County retail sales for 2008 were \$72.2 million; therefore, a one percent sales tax would generate approximately \$722,000 in sales tax revenue. The Department of Revenue would retain one percent of the sales tax revenue, or \$7,220.

Because the sales tax and property tax changes are subject to voter approval and also indeterminate as to effective date, Oversight will indicate \$0 or unknown amounts for the election cost, sales tax revenue, and property tax reduction, and for the one percent retention charge.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
<u>Revenue - hospital sales tax collection fee</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<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) to Unknown</u>	<u>(\$30,547) to Unknown</u>	<u>(\$31,463) to Unknown</u>
Estimated Net FTE Change for General Revenue Fund	0.5	0.5	0.5

**IN-HOME SERVICES GROSS
 RECEIPTS TAX FUND**

<u>Income</u> - Department of Social Services	Unknown	Unknown	Unknown
<u>Costs</u> - Department of Social Services	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

**ESTIMATED NET EFFECT ON IN-
 HOME SERVICES GROSS
 RECEIPTS TAX FUND**

\$0 \$0 \$0

FEDERAL FUNDS

<u>Income</u> - Department of Social Services			
Federal Assistance	\$24,725	\$30,547	\$31,463
<u>Costs</u> - 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	<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
 FEDERAL FUNDS**

\$0 \$0 \$0

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
LOCAL GOVERNMENTS			
<u>Revenue</u> - Hospital sales tax	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> - election	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue reduction</u> - Hospital property tax	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue increase</u> - health care provider fee increases	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Cost</u> - Reimbursement allowance assessments	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS *	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>

* Revenue increase net of fee assessment.

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which provide health care services.

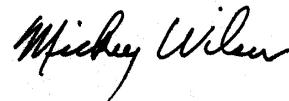
FISCAL DESCRIPTION

This proposal would impose a gross receipts tax on certain health care service providers. In addition, certain county hospitals would be authorized to submit a proposal to replace the county hospital property tax with a sales tax to a public vote.

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
May 29, 2009