

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1918-03  
Bill No.: Perfected HCS for HB 740  
Subject: Health Care; Health Department; Department of Mental Health; Pharmacy;  
Department of Social Services  
Type: Original  
Date: March 10, 2009

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Bill Summary: This legislation extends the sunsets of various federal reimbursement allowances from 2009 to 2011.

This legislation will sunset on September 30, 2011.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
ICF/MR Provider Tax 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
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Revenues and expenditures of approximately \$5,000,000 net to \$0.

\*\*Revenues and expenditures of up to approximately \$47,000,000 net to \$0.

\*\*\*Revenues and expenditures of approximately \$886,000,000 net to \$0.

\*\*\*\*Revenues and expenditures of approximately \$40,000,000 net to \$0.

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Federal Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Revenues and expenditures of approximately \$1,741,000,000 net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

In response to a previous version of this proposal, officials from the **Department of Health and Senior Services**, **Department of Revenue** and the **Office of Administration-Budget and Planning** 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)** 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.

In response to a previous version of this proposal, officials from the **Department of Mental Health** states Section 633.401 changes the sunset date of the provider tax for Intermediate Care Facilities for the Mentally Retarded (ICF MR) from June 30, 2009 to September 30, 2011. The FY '10 budget submitted by the DMH assumed that the ICF MR tax would continue. It is estimated this tax will generate approximately \$2,884,000 annually in federal earnings. If this proposed legislation does not pass, additional General Revenue funds of \$2,884,000 would be needed to continue the current level of services.

**Oversight** notes that the Department of Social Services (DSS) is the contact Department that works with the Federal government on Medicaid programs. Therefore, Oversight has decided to use DSS provider tax numbers for the ICF/MR provider tax program.

ASSUMPTION (continued)

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 208.437 – Managed Care Organization Reimbursement Allowance:**

Current federal law allows the MHD to collect medicaid managed care tax for the 3 month period July 1, 2009 through September 30, 2009 during SFY 2010. The proposed legislation allows the MHD to collect \$ 15,405,524 in Medicaid managed care tax, which will allow MHD to draw in federal funds of \$24,014,846 through the September 30, 2009. The FY 10 budget submitted by the DSS assumed that the Managed Care tax would continue through September 30, 2009. If this proposed legislation does not pass, additional General Revenue funds of \$15,405,524 would be needed to continue the current level of services for the 3 month period July 1, 2009 through September 30, 2009.

As currently written, effective October 1, 2009, Federal Regulations will require that all Managed Care Organizations are taxed, commercial and medicaid. Assuming federal law is amended to allow tax on only medicaid managed care organizations, the proposed legislation will allow MHD to collect \$31,109,610 for the 9 month period of October 1, 2009 through June 30, 2010 for the medicaid managed care tax. This will allow MHD to draw in federal funds of \$56547,786. If the federal law is amended and this proposed legislation does not pass, additional General Revenue funds of \$31,109,610 would be needed to continue the current level of services for the 9 month period of October 1, 2009 through June 30, 2010.

**Section 208.480 – Hospital Reimbursement Allowance:**

The proposed legislation allows the MHD to collect \$885,560,378, in hospital FRA tax, which will allow MHD to draw in federal funds of \$1,586,690,817 in fiscal year 2010. The FY 10 budget submitted by the DMH assumed that the hospital FRA would continue through fiscal year 2010. If this proposed legislation does not pass, additional General Revenue funds of \$885,560,378 would be needed to continue the current level of services.

**Section 338.550 – Pharmacy Provider Tax:**

The proposed legislation allows the MHD to collect \$39,500,000 in pharmacy tax, which will allow MHD to draw in federal funds of \$70,773,590 in fiscal year 2010. The FY 10 budget submitted by the DSS assumed that the pharmacy tax would continue through fiscal year 2010. If this proposed legislation does not pass, additional General Revenue funds of \$39,500,000 would be needed to continue the current level of services.

ASSUMPTION (continued)

**Section 633.401 - ICF/MR Provider Tax:**

The proposed legislation allows the MHD to collect \$5,025,902 in intermediate care facilities for the mentally retarded tax, which will allow MHD to draw in federal funds of \$3,163,303 in fiscal year 2010. The FY 10 budget submitted by the DMH assumed that the intermediate care facilities for the mentally retarded tax would continue through fiscal year 2010. If this proposed legislation does not pass, additional General Revenue funds of \$5,025,902 would be needed to continue the current level of services.

<u>FISCAL IMPACT - State Government</u>	FY 2010	FY 2011	FY 2012
<b>MEDICAID MANAGED CARE ORGANIZATION REIMBURSEMENT ALLOWANCE FUND (Section 208.437)</b>			
<u>Income</u> - Department of Social Services			
Assessment on Medicaid managed care organizations	\$46,515,134	\$0	\$0
<u>Costs</u> - Department of Social Services			
Medicaid Program Costs	<u>(\$46,515,134)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON MEDICAID MANAGED CARE ORGANIZATION REIMBURSEMENT ALLOWANCE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

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

<u>Income</u> - Department of Social Services			
Assessment on Hospitals	\$885,560,378	\$0	\$0
<u>Costs</u> - Department of Social Services			
Medicaid Program Costs	<u>(\$885,560,378)</u>	<u>\$0</u>	<u>\$0</u>

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

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

<u>Income</u> - Department of Social Services			
Assessment on Pharmacies	\$39,500,000	\$0	\$0
<u>Costs</u> - Department of Social Services			
Medicaid Program Costs	<u>(\$39,500,000)</u>	<u>\$0</u>	<u>\$0</u>

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

**ICF/MR PROVIDER TAX** (Section  
 633.401)

<u>Income</u> - Department of Social Services			
Assessment on ICF's	\$5,025,902	\$0	\$0
<u>Costs</u> - Department of Social Services			
Medicaid Program Costs	<u>(\$5,025,902)</u>	<u>\$0</u>	<u>\$0</u>

**ESTIMATED NET EFFECT ON  
 ICF/MR PROVIDER TAX** \$0 \$0 \$0

**FEDERAL**

Income - Department of Social Services

Assessment on Medicaid Managed Care Organizations	\$80,562,632	\$0	\$0
Assessment on Hospitals	\$1,586,690,817	\$0	\$0
Assessment on Pharmacies	\$70,773,590	\$0	\$0
Assessment on ICF/MR	\$3,163,303	\$0	\$0
<u>Total Income - DSS</u>	<u>\$1,741,190,342</u>	<u>\$0</u>	<u>\$0</u>

Costs - Department of Social Services

Medicaid program expenditures	<u>(\$1,741,190,342)</u>	<u>\$0</u>	<u>\$0</u>
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**ESTIMATED NET EFFECT ON  
 FEDERAL FUNDS**

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

<u>FISCAL IMPACT - Local Government</u>	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 expiration date from June 30, 2009, to September 30, 2011, for the Missouri Medicaid Program's managed care organization reimbursement allowance in Sections 208.431 - 208.437, RSMo, and the pharmacy tax in Sections 338.500 - 338.550.

The expiration date of the federal reimbursement allowance assessment in Sections 208.453 - 208.480 is extended from September 30, 2009, to September 30, 2011, and the intermediate care facility for the mentally retarded provider assessment is extended from June 30, 2009, to June 30, 2011.



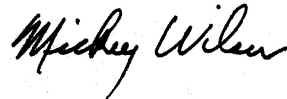
FISCAL DESCRIPTION (continued)

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.

SOURCES OF INFORMATION

Department of Social Services  
Department of Health and Senior Services  
Department of Mental Health  
Office of the Secretary of State  
Office of Administration-Budget and Planning  
Department of Revenue



Mickey Wilson, CPA  
Director  
March 10, 2009