

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0861-01
Bill No.: SB 167
Subject: Ambulances and Ambulance Districts; Health Care; Health Care Professionals;
Hospitals; Medicaid; Nursing and Boarding Homes; Pharmacy
Type: Original
Date: January 16, 2015

Bill Summary: This proposal extends the sunset on certain healthcare provider reimbursement allowance taxes from 2015 to 2017.

This legislation will sunset on September 30, 2017.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Ambulance Provider Tax*	\$0	\$0	\$0
Nursing Facility Reimbursement Allowance Tax**	\$0	\$0	\$0
Hospital Reimbursement Allowance Tax ***	\$0	\$0	\$0
Pharmacy Provider Tax****	\$0	\$0	\$0
ICF/MR Provider Tax*****	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

- *Revenues and expenditures of approximately \$21.5 million annually net to \$0.
- **Revenues and expenditures of approximately \$179 million annually net to \$0.
- ***Revenues and expenditures of approximately \$1.1 billion annually net to \$0.
- ****Revenues and expenditures of up to approximately \$57 million annually net to \$0.
- *****Revenues and expenditures of approximately \$7.2 million annually net to \$0.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Revenues and expenditures of approximately \$2.3 billion annually net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Sections 190.839, 198.439, 208.437, 208.480, 338.550 & 633.401:

Officials from the **Department of Social Services (DSS), Divisions of MO HealthNet (MHD)** and **Legal Services (DLS)** state the proposed legislation grants a two-year extension for the Managed Care Organization Reimbursement Allowance, the Hospital Federal Reimbursement Allowance, the Ambulance Provider Tax, the Pharmacy Tax, the Intermediate Care Facility for the Intellectually Disabled tax program and the Nursing Facility Reimbursement Allowance Tax. Passage of the proposed legislation would not fiscally impact the MHD. However, if the proposed legislation does not pass, additional funding will be needed to maintain the current level of services. The FY 2016 budget submitted by DSS assumes these taxes would continue through FY 2016.

§190.839 - Ambulance Provider Tax

The proposed legislation allows the MHD to collect \$21,522,747 in ambulance tax, which will allow MHD to draw in federal funds of \$37,159,116 in FY 2016. The FY 2016 budget submitted by the DSS assumed the ambulance tax would continue through FY 2016. If the proposed legislation does not pass, additional General Revenue funds of \$21,522,747 would be needed to continue the current level of services.

§ 198.439 – Nursing Facility Reimbursement Allowance Tax

The proposed legislation allows the MHD to collect \$179,230,616 in Nursing Facility Tax, which will allow MHD to draw in federal funds of \$309,442,438 in FY 2016. The FY 2016 budget submitted by the DSS assumed the nursing facility tax would continue through fiscal year 2016. If this proposed legislation does not pass, additional General Revenue funds of \$179,230,616 would be needed to continue the current level of services.

§208.437 - Managed Care Provider Tax

The MHD is not currently collecting the Managed Care Provider Tax. The federal sunset for the managed care organization reimbursement allowance was September 30, 2009. This section of the proposed legislation will not have an impact on MO HealthNet.

As the MHD is not currently collecting the Managed Care Provider Tax, **Oversight** is not including this tax in the fiscal note tables.

ASSUMPTION (continued)

§208.480 - Hospital Reimbursement Allowance

The proposed legislation allows the MHD to collect approximately \$1,091,408,539 in Hospital FRA (Federal Reimbursement Allowance) tax, which will allow MHD to draw in federal funds of approximately \$1,884,321,589 in FY 2016. The FY 2016 budget submitted by DSS assumed the hospital tax would continue through FY 2016. If the proposed legislation does not pass, additional General Revenue funds of \$1,091,408,539 would be needed to continue the current level of services.

§338.550 - Pharmacy Provider Tax

The proposed legislation allows the MHD to collect \$57,039,249 in pharmacy tax, which will allow MHD to draw in federal funds of \$98,478,511 in FY 2016. The FY 2016 budget submitted by the DSS assumed the ambulance tax would continue through FY 2016. If the proposed legislation does not pass, additional General Revenue funds of \$57,039,249 would be needed to continue the current level of services.

§633.401 - Intermediate Care Facility for the Intellectually Disabled Provider Tax

The proposed legislation allows the MHD to collect approximately \$7.2 million in intermediate care facilities for the intellectually disabled tax, which will allow MHD to draw in federal funds of \$6.8 million in fiscal year 2016. The FY 2016 budget submitted by the Department of Mental Health assumed the intermediate care facilities for the intellectually disabled tax would continue through FY 2016. If this proposed legislation does not pass, additional General Revenue funds of \$7.2 million would be needed to continue the current level of services.

Officials from the **Department of Mental Health (DMH)** state included in this proposal is the extension for the provider assessments for ICF/MR (Intermediate Care Facilities for the Mentally Retarded (Intellectually Disabled)) and hospitals. The DMH assumes no fiscal impact should the sunset be extended to 2017. The provider assessment for ICF/MRs generates approximately \$6.8 million in revenue for the DMH. The provider assessment for hospitals generates approximately \$15.6 million in additional revenues for DMH. If the healthcare provider reimbursement taxes are allowed to sunset, the DMH will lose approximately \$22.4 million in funding for next year (\$6.8 million + \$15.6 million).

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 **Office of Administration - Division of Budget and Planning (B&P)** state this proposal will not impact Total State Revenue. In addition, this proposal will not impact the calculation under Article X, Section 18(e).

Officials from the **Office of the 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.

Officials from the **Department of Health and Senior Services**, the **Department of Revenue, Division of Taxation** and the **Office of State Treasurer** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (9 months)	FY 2017	FY 2018 (3 months)
AMBULANCE PROVIDER TAX FUND (§190.839)			
<u>Income - DSS</u>			
Assessment on Medicaid ambulance organizations	\$16,142,060	\$21,522,747	\$5,380,687
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$16,142,060)</u>	<u>(\$21,522,747)</u>	<u>(\$5,380,687)</u>
ESTIMATED NET EFFECT ON AMBULANCE PROVIDER TAX FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2016 (9 months)	FY 2017	FY 2018 (3 months)
NURSING FACILITY REIMBURSEMENT ALLOWANCE TAX FUND (§198.439)			
<u>Income - DSS</u>			
Assessment on Medicaid nursing facility organizations	\$134,422,962	\$179,230,616	\$44,807,654
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$134,422,962)</u>	<u>(\$179,230,616)</u>	<u>(\$44,807,654)</u>
ESTIMATED NET EFFECT ON NURSING FACILITY REIMBURSEMENT ALLOWANCE TAX FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
HOSPITAL REIMBURSEMENT ALLOWANCE FUND (§208.480)			
<u>Income - DSS</u>			
Assessment on Medicaid hospital organizations	<u>\$818,556,404</u>	<u>\$1,091,408,539</u>	<u>\$272,852,135</u>
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$818,556,404)</u>	<u>(\$1,091,408,539)</u>	<u>(\$272,852,135)</u>
ESTIMATED NET EFFECT ON HOSPITAL REIMBURSEMENT ALLOWANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
PHARMACY PROVIDER TAX FUND (§ 338.550)			
<u>Income - DSS</u>			
Assessment on Medicaid pharmacy organizations	\$42,779,437	\$57,039,249	\$14,259,812
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$42,779,437)</u>	<u>(\$57,039,249)</u>	<u>(\$14,259,812)</u>
ESTIMATED NET EFFECT ON PHARMACY PROVIDER TAX FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2016 (9 months)	FY 2017	FY 2018 (3 months)
ICF/MR PROVIDER TAX (\$633.401)			
<u>Income - DSS</u>			
Assessment on Medicaid ICF/MR organizations	\$5,400,000	\$7,200,000	\$1,800,000
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$5,400,000)</u>	<u>(\$7,200,000)</u>	<u>(\$1,800,000)</u>
ESTIMATED NET EFFECT ON ICF/MR PROVIDER TAX FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
FEDERAL FUNDS			
<u>Income - DSS</u>			
Assessment on Medicaid ambulance organizations (§190.839)	\$27,869,337	\$37,159,116	\$9,289,779
Assessment on Medicaid nursing facility organizations (§198.439)	\$232,081,829	\$309,442,438	\$77,360,610
Assessment on Medicaid hospital organizations (§208.480)	\$1,413,241,192	\$1,884,321,589	\$471,080,397
Assessment on Medicaid pharmacy organizations (§ 338.550)	\$73,858,883	\$98,478,511	\$24,619,628
Assessment on Medicaid ICF/MR organizations (§633.401)	<u>\$5,100,000</u>	<u>\$6,800,000</u>	<u>\$1,700,000</u>
Total <u>Income - DSS</u>	<u>\$1,752,151,241</u>	<u>\$2,336,201,654</u>	<u>\$584,050,414</u>
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$1,752,151,241)</u>	<u>(\$2,336,201,654)</u>	<u>(\$584,050,414)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2016 (9 months)	 FY 2017	 FY 2018 (3 months)
	<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

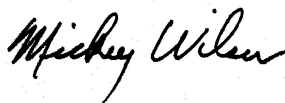
This proposal extends the sunsets from September 30, 2015, to September 30, 2017, for various federal reimbursement allowances including:

- (1) The ground ambulance service reimbursement allowance in Sections 190.800 - 190.839;
- (2) The nursing facility reimbursement allowance in Sections 198.401 - 198.436;
- (3) The Missouri Medicaid Program's managed care organization reimbursement allowance in Sections 208.431 - 208.437;
- (4) The hospital reimbursement allowance in Section 208.480;
- (5) The pharmacy reimbursement allowance tax in Sections 338.500 - 338.550; and
- (6) The assessment on intermediate care facilities for the mentally retarded in Section 633.401.

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



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January 16, 2015

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January 16, 2015