

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1175-02
Bill No.: SCS for SB 210
Subject: Ambulances and Ambulance Districts; Health Care; Health Care Professionals;
Hospitals; Medicaid; Nursing and Boarding Homes; Pharmacy
Type: Original
Date: March 27, 2015

Bill Summary: This proposal extends the sunset on certain healthcare provider reimbursement allowance taxes and modifies provisions relating to MO HealthNet and DSH payments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$22,062,099)	(\$21,533,249)	(\$21,524,551)
Total Estimated Net Effect on General Revenue	(\$22,062,099)	(\$21,533,249)	(\$21,524,551)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 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/DD 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 - Provider Taxes:

Officials from the **Department of Social Services (DSS)** state the provisions of the proposal relating to provider taxes will have no fiscal impact on their organization unless the proposed legislation does not pass. If it 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 MO HealthNet Division (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.

§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.

ASSUMPTION (continued)

§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 Developmentally 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 developmentally 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 this proposed legislation extends the sunset on certain health care provider reimbursement allowance taxes from 2015 to 2016. Included in this proposal is the extension for the provider assessment for ICF/ID (Intermediate Care Facilities for the Intellectually Disabled) and hospitals. The DMH assumes no fiscal impact should the sunset be extended to 2016. The provider assessment for ICF/DDs 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.

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

Section 208.482 - DSH Recoupment:

DSS-MHD officials state this proposal also prohibits MO HealthNet from recovering Disproportionate Share Hospital (DSH) audit recoupments from any Tier I safety net hospital which used an intergovernmental transfer for its share of Disproportionate Share Hospital payments.

MHD assumes this proposed language applies to hospitals that are Tier 1 and Safety Net Hospitals. There is an estimated state impact in Fiscal Years (FYs) 2016 through 2018 because MHD would not be able to recoup the DSH liabilities from such facilities, but would be required

ASSUMPTION (continued)

to reimburse the federal government for the federal share of the liabilities. The estimated impact for each FY is based on the results of the FY 2011 Independent DSH Audit; however, the federal share is calculated at a different percentage for each FY based on the year to which the DSH liability is related. Thus, the FY 2016 General Revenue (GR) impact is estimated at \$22,062,099; the FY 2017 impact is estimated at \$21,533,249; and the FY 2018 impact is estimated at \$21,524,551.

MHD also states that unless additional funding is provided for this, reimbursement to other hospitals will be reduced by the amount MHD has to use to pay the federal government the federal share of these liabilities.

DMH officials state this proposal also provides that the MO HealthNet Division within the DSS shall not recover disproportionate share hospital (DSH) audit recoupments from any Tier 1 safety net hospital for which an intergovernmental transfer was used for the non-federal share of its disproportionate share hospital payments. DMH assumes, based on the FY 2011 DSH audits completed in FY 2015 and assuming that the hospital is both a Tier 1 hospital and a safety net hospital, there are three DMH hospitals with a DSH overpayment of approximately \$4.9 million and four DMH hospitals with a DSH underpayment of approximately \$9.5 million. Currently, the overpayments can be offset with the underpayments, for a net effect of approximately \$4.6 million. If the proposed legislation was passed it would preclude offsetting the overpayments with the underpayments and the State would be required to refund the federal government approximately \$4.9 million for these three facilities.

	Currently	Proposed Legislation
Center for Behavioral Medicine	(\$651,713)	(\$651,713)
Hawthorn Children's Psychiatric Hospital	(\$4,157,327)	(\$4,157,327)
Metropolitan St. Louis Psychiatric Center	(\$87,933)	(\$87,933)
Fulton State Hospital	\$4,867,378	\$ -
Northwest Missouri Psychiatric Rehabilitation Center	\$1,063,336	\$ -
Southeast Missouri Mental Health Center	\$2,221,431	\$ -
St. Louis Psychiatric Rehabilitation Center	\$1,345,200	\$ -
	\$4,600,372	(\$4,896,973)
Cost to State		- (\$4,896,973)

This amount could change yearly based on the DSH audit findings. The \$4.9 million is included in the Department of Social Services cost estimates.

ASSUMPTION (continued)

Bill as a whole:

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** state this proposal will not impact Total State Revenue and the proposal will not impact the calculation under Article X, Section 18(e). The proposal extends the sunset on various provider taxes to September 30, 2016 and prohibits MO HealthNet from recovering disproportionate share hospital audit recoupments from a Tier I Safety Net Hospital. B&P defers to DSS for any fiscal impact.

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 (10 months)	FY 2017	FY 2018
GENERAL REVENUE FUND (\$208.482)			
<u>Costs - DSS-MHD</u>			
Tier I and Safety Net hospital DSH recoupment payments (annual payment)	<u>(\$22,062,099)</u>	<u>(\$21,533,249)</u>	<u>(\$21,524,551)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$22,062,099)</u>	<u>(\$21,533,249)</u>	<u>(\$21,524,551)</u>

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

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (9 months)	FY 2017 (3 months)	FY 2018
NURSING FACILITY REIMBURSEMENT ALLOWANCE TAX FUND (\$198.439)			
<u>Income - DSS</u>			
Assessment on Medicaid nursing facility organizations	\$134,422,962	\$44,807,654	\$0
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$134,422,962)</u>	<u>(\$44,807,654)</u>	<u>\$0</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>\$272,852,135</u>	<u>\$0</u>
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$818,556,404)</u>	<u>(\$272,852,135)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON HOSPITAL REIMBURSEMENT ALLOWANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (9 months)	FY 2017 (3 months)	FY 2018
 PHARMACY PROVIDER TAX FUND (§ 338.550)			
<u>Income - DSS</u>			
Assessment on Medicaid pharmacy organizations	\$42,779,437	\$14,259,812	\$0
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$42,779,437)</u>	<u>(\$14,259,812)</u>	<u>\$0</u>
 ESTIMATED NET EFFECT ON PHARMACY PROVIDER TAX FUND	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>
 ICF/DD PROVIDER TAX (§633.401)			
<u>Income - DSS</u>			
Assessment on Medicaid ICF/DD organizations	\$5,400,000	\$1,800,000	\$0
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$5,400,000)</u>	<u>(\$1,800,000)</u>	<u>\$0</u>
 ESTIMATED NET EFFECT ON ICF/DD PROVIDER TAX FUND	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2016 (9 months)	FY 2017 (3 months)	FY 2018
FEDERAL FUNDS			
<u>Income - DSS</u>			
Assessment on Medicaid ambulance organizations (§190.839)	\$27,869,337	\$9,289,779	\$0
Assessment on Medicaid nursing facility organizations (§198.439)	\$232,081,829	\$77,360,610	\$0
Assessment on Medicaid hospital organizations (§208.480)	\$1,413,241,192	\$471,080,397	\$0
Assessment on Medicaid pharmacy organizations (§ 338.550)	\$73,858,883	\$24,619,628	\$0
Assessment on Medicaid ICF/DD organizations (§633.401)	<u>\$5,100,000</u>	<u>\$1,700,000</u>	<u>\$0</u>
Total <u>Income</u> - DSS	<u>\$1,752,151,241</u>	<u>\$584,050,414</u>	<u>\$0</u>
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$1,752,151,241)</u>	<u>(\$584,050,414)</u>	<u>\$0</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 (3 months)	FY 2018
	<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, 2016, for the Ground Ambulance, Nursing Facility, Medicaid Managed Care Organization, Hospital, Pharmacy, and Intermediate Care Facility for the Intellectually Disabled Reimbursement Allowance Taxes.

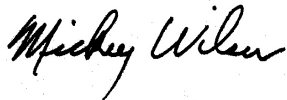
FISCAL DESCRIPTION (continued)

This proposal also prohibits MO HealthNet from recovering Disproportionate Share Hospital audit recoupments from any Tier I safety net hospital which used an intergovernmental transfer for its share of Disproportionate Share Hospital payments.

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 -
 MO HealthNet
Office of Administration -
 Division of Budget and Planning
Office of Secretary of State
Office of State Treasurer



Mickey Wilson, CPA
Director
March 27, 2015

Ross Strope
Assistant Director
March 27, 2015