

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1175-04  
Bill No.: HCS for SCS for SB 210  
Subject: Medicaid; Health Care; Taxation and Revenue-General; Federal-State Relations  
Type: Original  
Date: April 29, 2015

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Bill Summary: This proposal extends the expiration date on various federal reimbursement allowances for one year.

**FISCAL SUMMARY**

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

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Other Funds	(\$17,179,371)	(\$16,767,565)	(\$16,760,792)
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
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$17,179,371)</b>	<b>(\$16,767,565)</b>	<b>(\$16,760,792)</b>

\*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.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Federal*	\$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 \$2.3 billion annually net to \$0.

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

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

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

## FISCAL ANALYSIS

### ASSUMPTION

#### **Sections 190.839, 198.439, 208.437, 208.480, 338.550 & 633.401 - Provider Taxes and Section 208.482 - DSH Recoupment:**

In response to a previous version of this proposal, officials from the **Department of Social Services (DSS)** provided the following with regards to provider taxes:

#### §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 Tax

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)

§208.482 - DSH Recoupment:

In response to a similar proposal (HCS for HB 760), MO HealthNet (MHD) assumed 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 Disproportionate Share Hospital (DSH) liabilities from such facilities, but would be required 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 \$17,179,371; the FY 2017 impact is estimated at \$16,767,565; and the FY 2018 impact is estimated at \$16,760,792. MHD assumes the General Assembly will appropriate non-general revenue state funding to pay the federal government the federal share of these liabilities.

**Oversight** assumes the General Assembly will appropriate the revenue to pay the federal share of these liabilities from “Other Funds” since funding is not to come from General Revenue fund.

§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.

In response to a previous version of this proposal, officials from the **Department of Mental Health (DMH)** stated this proposed legislation extends the sunset on certain health care provider reimbursement allowance taxes from 2015 to 2018. 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 2018. The provider assessment for ICF/IDs 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.

ASSUMPTION (continued)

**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/ID provider tax program.

In response to a similar proposal (HCS for HB 760) as well as a prior version of this proposal, officials from the **Office of Administration, Division of Budget and Planning (B&P)** stated 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 and stipulates General Revenue shall not be used to offset the recoupments. B&P defers to DSS for any fiscal impact.

In response to the previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated 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.

In response to similar legislation (HCS for HB 760 and a previous version of this proposal), officials from the **Department of Health and Senior Services**, the **Department of Revenue, Division of Taxation** and the **Office of State Treasurer** each assumed the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (9 months)	FY 2017 (3 months)	FY 2018
<b>OTHER FUNDS</b> (§208.482)			
<u>Costs</u> - DSS-MHD			
Tier I and Safety Net hospital DSH recoupment payments (annual payment)	<u>(\$17,179,371)</u>	<u>(\$16,767,565)</u>	<u>(\$16,760,792)</u>
<b>ESTIMATED NET EFFECT ON OTHER FUNDS</b>	<b><u>(\$17,179,371)</u></b>	<b><u>(\$16,767,565)</u></b>	<b><u>(\$16,760,792)</u></b>
<b>AMBULANCE PROVIDER TAX FUND</b> (§190.839)			
<u>Income</u> - DSS			
Assessment on Medicaid ambulance organizations	\$16,142,060	\$5,380,687	\$0
<u>Costs</u> - DSS			
Medicaid program costs	<u>(\$16,142,060)</u>	<u>(\$5,380,687)</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON AMBULANCE PROVIDER TAX FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>NURSING FACILITY REIMBURSEMENT ALLOWANCE TAX FUND</b> (§198.439)			
<u>Income</u> - DSS			
Assessment on Medicaid nursing facility organizations	\$134,422,962	\$44,807,654	\$0
<u>Costs</u> - DSS			
Medicaid program costs	<u>(\$134,422,962)</u>	<u>(\$44,807,654)</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON NURSING FACILITY REIMBURSEMENT ALLOWANCE TAX FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (9 months)	FY 2017 (3 months)	FY 2018
<b>HOSPITAL REIMBURSEMENT ALLOWANCE FUND (§208.480)</b>			
<u>Income - DSS</u>			
Assessment on Medicaid hospital organizations	\$818,556,404	\$272,852,135	\$0
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$818,556,404)</u>	<u>(\$272,852,135)</u>	\$0
<b>ESTIMATED NET EFFECT ON HOSPITAL REIMBURSEMENT ALLOWANCE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>PHARMACY PROVIDER TAX FUND (§ 338.550)</b>			
<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>	\$0
<b>ESTIMATED NET EFFECT ON PHARMACY PROVIDER TAX FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>ICF/ID PROVIDER TAX FUND (§633.401)</b>			
<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>	\$0
<b>ESTIMATED NET EFFECT ON ICF/ID PROVIDER TAX FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>



<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (9 months)	FY 2017 (3 months)	FY 2018
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**FEDERAL FUNDS**

Income - DSS

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 - DSS</u>	<u>\$1,752,151,241</u>	<u>\$584,050,414</u>	<u>\$0</u>

Costs - DSS

Medicaid program costs	( <u>\$1,752,151,241</u> )	( <u>\$584,050,414</u> )	<u>\$0</u>
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**ESTIMATED NET EFFECT ON FEDERAL FUNDS**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016 (9 months)	FY 2017	FY 2018
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</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.

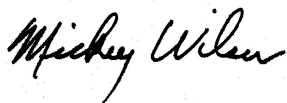
FISCAL DESCRIPTION

This proposal 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. The MO HealthNet division cannot recover disproportionate share hospital audit recoupments from Truman Hospital when an intergovernmental transfer was used for the nonfederal share of its 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



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