

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4977-01
Bill No.: Truly Agreed To and Finally Passed HB 1534
Subject: Health Care; Medicaid/MO HealthNet
Type: Original
Date: June 10, 2016

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

This legislation will sunset on September 30, 2018.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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/ID 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 \$201.9 million annually net to \$0.
- ***Revenues and expenditures of approximately \$1.1 billion annually net to \$0.
- ****Revenues and expenditures of approximately \$61.0 million annually net to \$0.
- *****Revenues and expenditures of approximately \$6.3 million annually net to \$0.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Revenues and expenditures of approximately \$2.4 billion annually net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
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 DSS the authority to continue the Managed Care Organization Reimbursement Allowance, the Hospital Federal Reimbursement Allowance, the Ambulance Reimbursement Allowance Tax, the Nursing Facility Reimbursement Allowance, the Pharmacy Tax and the Intermediate Care Facility for the Intellectually Disabled tax programs.

The proposed legislation extends the Managed Care Organization Reimbursement Allowance program, the Hospital Federal Reimbursement Allowance program, the Ambulance Reimbursement Allowance Tax program, the Nursing Facility Reimbursement Allowance program, the Pharmacy Tax program and the Intermediate Care Facility for the Intellectually Disabled program to September 30, 2018. Each of these programs will expire on September 30, 2016.

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.

DLS has no fiscal impact from this legislation.

§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 \$37,007,512 in FY 2017. The FY 2017 budget submitted by the DSS assumed the ambulance tax would continue through FY 2017. 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 \$201,853,321 in Nursing Facility Tax, which will allow MHD to draw in federal funds of \$347,078,804 in FY 2017. The FY 2017 budget submitted by the DSS assumed the nursing facility tax would continue through fiscal year 2017. If this proposed legislation does not pass, additional General Revenue funds of \$201,853,321 would be needed to continue the current level of services.

ASSUMPTION (continued)

§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 Federal Reimbursement Allowance

The proposed legislation allows the MHD to collect approximately \$1,108,306,004 in Hospital Tax, which will allow MHD to draw in federal funds of approximately \$1,905,688,350 in FY 2017. The FY 2017 budget submitted by DSS assumed the hospital tax would continue through FY 2017. If the proposed legislation does not pass, additional General Revenue funds of \$1,108,306,004 would be needed to continue the current level of services.

§338.550 - Pharmacy Provider Tax

The proposed legislation allows the MHD to collect \$60,988,220 in pharmacy tax, which will allow MHD to draw in federal funds of \$104,866,833 in FY 2017. The FY 2017 budget submitted by the DSS assumed the ambulance tax would continue through FY 2017. If the proposed legislation does not pass, additional General Revenue funds of \$60,988,220 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 \$6,296,720 in intermediate care facilities for the intellectually disabled tax, which will allow MHD to draw in federal funds of \$4,412,596 in fiscal year 2017. The FY 2017 budget submitted by the Department of Mental Health assumed the intermediate care facilities for the intellectually disabled tax would continue through FY 2017. If this proposed legislation does not pass, additional General Revenue funds of \$6,296,720 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 2016 to 2018. Included in this proposal is the extension for the provider assessment for ICF/IDs (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 \$5.9 million in revenue for the DMH. The provider assessment for hospitals generates approximately \$13.9 million in additional revenues for DMH.

Oversight notes that the Department of Social Services (DSS) is the designated state agency that works with the federal government on Medicaid programs. Therefore, Oversight will use DSS provider tax numbers for the ICF/ID provider tax program.

ASSUMPTION (continued)

Officials from the **Office of Administration (OA), Division of Budget and Planning (B&P)** state the proposal will not impact Total State Revenue, nor will it impact the calculation under Article X, Section 18(e). The proposal extends the expiration on various provider taxes to September 30, 2018.

Officials from the **Department of Health and Senior Services, the Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Revenue, Division of Taxation** each assume the proposal will not fiscally impact their respective agencies.

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.

Oversight notes the provisions of this proposal expire September 30, 2018. As a result, FY 2019 is presented as 3 months of impact. Oversight assumes the same amount of provider allowance taxes will be collected by the DSS for all three years. FY 2017 is shown as 9 months of impact since the current provisions expire September 30, 2016.

<u>FISCAL IMPACT - State</u> <u>Government</u>	FY 2017 (9 months)	FY 2018	FY 2019 (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>
NURSING FACILITY REIMBURSEMENT ALLOWANCE TAX FUND (\$198.439)			
<u>Income - DSS</u>			
Assessment on Medicaid nursing facility organizations	\$151,389,991	\$201,853,321	\$50,463,330
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$151,389,991)</u>	<u>(\$201,853,321)</u>	<u>(\$50,463,330)</u>
ESTIMATED NET EFFECT ON NURSING FACILITY REIMBURSEMENT ALLOWANCE TAX FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State</u> <u>Government</u> (continued)	FY 2017 (9 months)	FY 2018	FY 2019 (3 months)
HOSPITAL REIMBURSEMENT ALLOWANCE FUND (§208.480)			
<u>Income</u> - DSS			
Assessment on Medicaid hospital organizations	\$831,229,503	\$1,108,306,004	\$277,076,501
<u>Costs</u> - DSS			
Medicaid program costs	<u>(\$831,229,503)</u>	<u>(\$1,108,306,004)</u>	<u>(\$277,076,501)</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</u> - DSS			
Assessment on Medicaid pharmacy organizations	\$45,741,165	\$60,988,220	\$15,247,055
<u>Costs</u> - DSS			
Medicaid program costs	<u>(\$45,741,165)</u>	<u>(\$60,988,220)</u>	<u>(\$15,247,055)</u>
ESTIMATED NET EFFECT ON PHARMACY PROVIDER TAX FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
ICF/ID PROVIDER TAX (§633.401)			
<u>Income</u> - DSS			
Assessment on Medicaid ICF/ID organizations	\$4,722,540	\$6,296,720	\$1,574,180
<u>Costs</u> - DSS			
Medicaid program costs	<u>(\$4,722,540)</u>	<u>(\$6,296,720)</u>	<u>(\$1,574,180)</u>
ESTIMATED NET EFFECT ON ICF/ID PROVIDER TAX FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2017 (9 months)	FY 2018	FY 2019 (3 months)
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FEDERAL FUNDS

Income - DSS

Assessment on Medicaid ambulance organizations (§190.839)	\$27,755,634	\$37,007,512	\$9,251,878
Assessment on Medicaid nursing facility organizations (§198.439)	\$260,309,102	\$347,078,804	\$86,769,701
Assessment on Medicaid hospital organizations (§208.480)	\$1,429,266,263	\$1,905,688,350	\$476,422,088
Assessment on Medicaid pharmacy organizations (§ 338.550)	\$78,650,125	\$104,866,833	\$26,216,708
Assessment on Medicaid ICF/ID organizations (§633.401)	<u>\$3,309,447</u>	<u>\$4,412,596</u>	<u>\$1,103,149</u>
Total <u>Income - DSS</u>	<u>\$1,799,290,571</u>	<u>\$2,399,054,095</u>	<u>\$599,763,524</u>

Costs - DSS

Medicaid program costs	<u>(\$1,799,290,571)</u>	<u>(\$2,399,054,095)</u>	<u>(\$599,763,524)</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS

\$0 \$0 \$0

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (9 months)	FY 2018	FY 2019
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\$0 \$0 \$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill extends the sunsets from September 30, 2016 to September 30, 2018, 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.

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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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