

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4370-01
Bill No.: SB 638
Subject: Ambulances and Ambulance Districts; Health Care; Health Care Professionals;
Hospitals; Medicaid; Nursing and Boarding Homes; Pharmacy
Type: Original
Date: January 5, 2018

Bill Summary: This proposal extends the sunset on certain healthcare provider reimbursement allowances for two years.

This legislation will expire on September 30, 2020.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
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 \$24.2 million annually net to \$0.

**Revenues and expenditures of approximately \$199.0 million annually net to \$0.

***Revenues and expenditures of approximately \$1.1 billion annually net to \$0.

****Revenues and expenditures of approximately \$69.4 million annually net to \$0.

*****Revenues and expenditures of approximately \$1.6 million annually net to \$0.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Revenues and expenditures of approximately \$2.5 billion annually net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
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, 2020. Currently, each of these programs will expire on September 30, 2018.

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 \$24,180,182 in ambulance tax, which will allow MHD to draw in federal funds of \$43,475,615. The FY 2018 budget submitted by the DSS assumed the ambulance tax would continue through FY 2018. If the proposed legislation does not pass, additional General Revenue funds of \$24,180,182 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 \$199,056,804 in Nursing Facility Tax, which will allow MHD to draw in federal funds of \$357,901,234. The FY 2018 budget submitted by the DSS assumed the nursing facility tax would continue through fiscal year 2018. If this proposed legislation does not pass, additional General Revenue funds of \$199,056,804 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 \$1,093,726,909 in Hospital Tax, which will allow MHD to draw in federal funds of approximately \$1,966,505,069. The FY 2019 budget submitted by DSS assumed the hospital tax would continue through FY 2019. If the proposed legislation does not pass, additional General Revenue funds of \$1,093,726,909 would be needed to continue the current level of services.

§338.550 - Pharmacy Provider Tax

The proposed legislation allows the MHD to collect \$69,359,775 in pharmacy tax, which will allow MHD to draw in federal funds of \$124,707,866. The FY 2018 budget submitted by the DSS assumed the ambulance tax would continue through FY 2018. If the proposed legislation does not pass, additional General Revenue funds of \$69,359,775 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 \$1,647,443 in intermediate care facilities for the intellectually disabled tax, which will allow MHD to draw in federal funds of \$4,381,532. The FY 2018 budget submitted by the Department of Mental Health assumed the intermediate care facilities for the intellectually disabled tax would continue through FY 2018. If this proposed legislation does not pass, additional General Revenue funds of \$1,647,443 would be needed to continue the current level of services.

Officials from the **Department of Mental Health (DMH)** state the proposed legislation extends the expiration date on various federal reimbursement allowance taxes from 2018 to 2020. Included in this proposal is the extension for the provider assessment for Intermediate Care Facilities/Intellectual Disabilities (ICF/IDs) and hospitals. DMH assumes no fiscal impact should the sunset be extended to 2020. The provider assessment for ICF/IDs generates approximately \$5.6 million in revenue for DMH. The provider assessment for hospitals generates approximately \$12.9 million in additional revenues for DMH.

ASSUMPTION (continued)

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.

Officials from the **Joint Committee on Administrative Rules (JCAR)** and **Office of Administration, Division of Budget & Planning** each assume the proposal would 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, 2020. As a result, FY 2021 is presented as 3 months of impact. Oversight assumes the same amount of provider allowance taxes will be collected by DSS for all three years. FY 2019 is shown as 9 months of impact since the current provisions expire September 30, 2018.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (9 Mo.)	FY 2020	FY 2021 (3 Mo.)
AMBULANCE PROVIDER TAX FUND (\$190.839)			
<u>Income - DSS</u>			
Assessment on Medicaid ambulance organizations	\$18,135,137	\$24,180,182	\$6,045,045
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$18,135,137)</u>	<u>(\$24,180,182)</u>	<u>(\$6,045,045)</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	\$149,292,603	\$199,056,804	\$49,764,201
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$149,292,603)</u>	<u>(\$199,056,804)</u>	<u>(\$49,764,201)</u>
ESTIMATED NET EFFECT ON NURSING FACILITY REIMBURSEMENT ALLOWANCE TAX FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2019 (9 Mo.)	FY 2020	FY 2021 (3 Mo.)
HOSPITAL REIMBURSEMENT ALLOWANCE FUND (\$208.480)			
<u>Income - DSS</u>			
Assessment on Medicaid hospital organizations	\$820,295,182	\$1,093,726,909	\$273,431,727
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$820,295,182)</u>	<u>(\$1,093,726,909)</u>	<u>(\$273,431,727)</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	\$52,019,831	\$69,359,775	\$17,339,944
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$52,019,831)</u>	<u>(\$69,359,775)</u>	<u>(\$17,339,944)</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 - DSS</u>			
Assessment on Medicaid ICF/ID organizations	\$1,235,582	\$1,647,443	\$411,861
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$1,235,582)</u>	<u>(\$1,647,443)</u>	<u>(\$411,861)</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>	FY 2019 (9 Mo.)	FY 2020	FY 2021 (3 Mo.)
FEDERAL FUNDS			
<u>Income - DSS</u>			
Assessment on Medicaid ambulance organizations (§190.839)	\$32,606,711	\$43,475,615	\$10,868,904
Assessment on Medicaid nursing facility organizations (§198.439)	\$268,425,928	\$357,901,237	\$89,475,309
Assessment on Medicaid hospital organizations (§208.480)	\$1,474,878,802	\$1,966,505,069	\$491,626,267
Assessment on Medicaid pharmacy organizations (§ 338.550)	\$93,530,900	\$124,707,866	\$31,176,966
Assessment on Medicaid ICF/ID organizations (§633.401)	<u>\$3,286,149</u>	<u>\$4,381,532</u>	<u>\$1,095,383</u>
Total <u>Income - DSS</u>	<u>\$1,872,728,490</u>	<u>\$2,496,971,319</u>	<u>\$624,242,829</u>
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$1,872,728,490)</u>	<u>(\$2,496,971,319)</u>	<u>(\$624,242,829)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (9 Mo.)	FY 2020	FY 2021 (3 Mo.)
	<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 act extends the sunsets from September 30, 2018, to September 30, 2020, for the Ground Ambulance, Nursing Facility, Medicaid Managed Care Organization, Hospital, Pharmacy, and Intermediate Care Facility for the Mentally Retarded Reimbursement Allowance Taxes.

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 -
 MO HealthNet Division
 Division of Legal Services
Department of Mental Health
Joint Committee on Administrative Rules
Office of Administration -
 Division of Budget & Planning
Office of Secretary of State

Ross Strobe



Acting Director
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