

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5226-03
Bill No.: Perfected SS for SCS for SB 775
Subject: Ambulances and Ambulance Districts; Health Care; Health Care Professionals;
Hospitals; Medicaid; Nursing and Boarding Homes; Pharmacy
Type: Original
Date: February 6, 2018

Bill Summary: This proposal extends the sunset on certain health care provider reimbursement allowance taxes and modifies the hospital reimbursement allowance tax.

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 \$11.3 million annually net to \$0.

**Revenues and expenditures of approximately \$193.7 million annually net to \$0.

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

****Revenues and expenditures of approximately \$110.3 million annually net to \$0.

*****Revenues and expenditures of approximately \$6.0 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 would allow the MHD to collect approximately \$11,293,934 in Ambulance Tax, which will allow MHD to draw in federal funds of approximately \$21,162,697 in fiscal year 2019. The FY 2019 budget submitted by the DSS assumed the ambulance tax would continue through FY 2019. If the proposed legislation does not pass, additional General Revenue funds of \$11,293,934 would be needed to continue the current level of services.

§198.439 – Nursing Facility Reimbursement Allowance Tax

The proposed legislation would allow the MHD to collect \$193,652,023 in Nursing Facility Tax, which will allow MHD to draw in federal funds of \$362,867,283 in fiscal year 2019. The FY 2019 budget submitted by the DSS assumed the nursing facility tax would continue through fiscal year 2019. If this proposed legislation does not pass, additional General Revenue funds of \$193,652,023 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 would allow the MHD to collect approximately \$1,064,868,921 in Hospital Tax, which will allow MHD to draw in federal funds of approximately \$1,995,363,057 in fiscal year 2019. 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 \$1,064,868,921 would be needed to continue the current level of services.

§338.550 - Pharmacy Provider Tax

The proposed legislation would allow the MHD to collect \$110,340,772 in pharmacy tax, which will allow MHD to draw in federal funds of \$126,537,924 in fiscal year 2019. The FY 2019 budget submitted by the DSS assumed the ambulance tax would continue through FY 2019. If the proposed legislation does not pass, additional General Revenue funds of \$67,529,717 would be needed to continue the current level of services.

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

The proposed legislation would allow the MHD to collect approximately \$6,028,975 in intermediate care facilities for the intellectually disabled tax, which will allow MHD to draw in federal funds of \$4,445,830 in fiscal year 2019. The FY 2019 budget submitted by the Department of Mental Health assumed the intermediate care facilities for the intellectually disabled tax would continue through FY 2019. If this proposed legislation does not pass, additional General Revenue funds of \$6,028,975 would be needed to continue the current level of services.

Officials from the **Department of Mental Health (DMH)** assume no fiscal impact should the sunset be extended 2020. The provider assessment for Intermediate Care Facilities for the Intellectually Disabled (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 **Office of Administration, Division of Budget & Planning** assume the proposal would not fiscally impact their agency.

Oversight notes Senate Amendment No. 1 amends the provisions of this proposal so the healthcare provider reimbursement allowance taxes expire September 30, 2020 (FY 2021). Oversight assumes the same amount of provider allowance taxes will be collected by DSS for all years of the fiscal note. FY 2019 is shown as 9 months of impact since the current provisions expire September 30, 2018; FY 2021 is shown as 3 months of impact since the expiration date of the provider allowance taxes is September 30, 2020 (FY 2021).

<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	\$8,470,450	\$11,293,934	\$2,823,484
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$8,470,450)</u>	<u>(\$11,293,934)</u>	<u>(\$2,823,484)</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 2019 (9 Mo.)	FY 2020	FY 2021 (3 Mo.)
NURSING FACILITY REIMBURSEMENT ALLOWANCE TAX FUND (\$198.439)			
<u>Income - DSS</u>			
Assessment on Medicaid nursing facility organizations	\$145,239,017	\$193,652,023	\$48,413,006
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$145,239,017)</u>	<u>(\$193,652,023)</u>	<u>(\$48,413,006)</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	\$798,651,691	\$1,064,868,921	\$266,217,230
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$798,651,691)</u>	<u>(\$1,064,868,921)</u>	<u>(\$266,217,230)</u>
ESTIMATED NET EFFECT ON HOSPITAL REIMBURSEMENT ALLOWANCE 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.)
PHARMACY PROVIDER TAX FUND (§ 338.550)			
<u>Income - DSS</u>			
Assessment on Medicaid pharmacy organizations	\$82,755,579	\$110,340,772	\$27,585,193
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$82,755,579)</u>	<u>(\$110,340,772)</u>	<u>(\$27,585,193)</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	\$4,521,731	\$6,028,975	\$1,507,244
<u>Costs - DSS</u>			
Medicaid program costs	<u>(\$4,521,731)</u>	<u>(\$6,028,975)</u>	<u>(\$1,507,244)</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)	\$15,872,023	\$21,162,697	\$5,290,674
Assessment on Medicaid nursing facility organizations (§198.439)	\$272,150,462	\$362,867,283	\$90,716,821
Assessment on Medicaid hospital organizations (§208.480)	\$1,496,522,293	\$1,995,363,057	\$498,840,764
Assessment on Medicaid pharmacy organizations (§ 338.550)	\$94,903,443	\$126,537,924	\$31,634,481
Assessment on Medicaid ICF/ID organizations (§633.401)	<u>\$3,334,372</u>	<u>\$4,445,830</u>	<u>\$1,111,458</u>
Total <u>Income - DSS</u>	<u>\$1,882,782,593</u>	<u>\$2,510,376,791</u>	<u>\$627,594,198</u>
<u>Costs - DSS</u>			
Medicaid program costs	(<u>\$1,882,782,593</u>)	(<u>\$2,510,376,791</u>)	(<u>\$627,594,198</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
	<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 Intellectually Disabled Reimbursement Allowance Taxes.

FISCAL DESCRIPTION (continued)

Additionally, this act repeals existing provisions of law regarding hospital reimbursement allowance calculations and alternative reimbursements for outpatient services. Instead, each state fiscal year, the amount of federal reimbursement allowance levied under the Hospital Reimbursement Allowance Tax shall not exceed 41% of the total payments to hospitals from the Federal Reimbursement Allowance Fund and associated federal match. By October 1 of each subsequent state fiscal year, the Department of Social Services shall report this calculation and the underlying data to the House budget committee and the Senate appropriations committee as specified in the act.

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
Office of Administration -
 Division of Budget & Planning

Ross Strope



Acting Director
February 6, 2018