COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0680-06
Bill No.: SCS for SB 29
Subject: Ambulances and Ambulance Districts; General Assembly; Health Care; Health Care Professionals; Hospitals; Medicaid; Nursing and Boarding Homes; Pharmacy; Social Services Department
Type: Original
Date: March 22, 2019

Bill Summary: This proposal extends the sunset on certain healthcare provider reimbursement allowances, modifies the managed care reimbursement allowance, and defines an essential safety net hospital.
Extends the sunsets to September 30, 2021.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	($106,992)	($91,063)	($32,440)
Total Estimated Net Effect on General Revenue	**($106,992)**	**($91,063)**	**($32,440)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Ambulance Service Reimbursement Allowance* (0958)	$7,862,040	$10,482,720	$2,620,680
Nursing Facility Federal Reimbursement Allowance** (0196)	$139,732,291	$186,309,722	$46,577,431
Medicaid Managed Care Organization Reimbursement Allowance *** (0160)	$0	$14,600,000 to $22,600,000	$3,650,000 to $5,650,000
Federal Reimbursement Allowance**** (0142)	$844,596,825	$1,126,129,100	$281,532,275
Pharmacy Reimbursement Allowance***** (0144)	$18,754,046	$25,005,395	$6,251,349
ICR/MR Reimbursement Allowance****** (0901)	$4,831,564	$6,442,086	$1,610,522
Total Estimated Net Effect on Other State Funds	**$1,015,776,766**	**$1,368,969,023 to $1,376,969,023**	**$342,242,257 to $344,242,257**

* Oversight assumes expenditures of approximately $10.5 million annually for a net of $0.
** Oversight assumes expenditures of approximately $186.3 million annually for a net of $0.
*** Oversight assumes expenditures of approximately $14.4 to $22.6 million annually for a net of $0.
*** *Oversight assumes expenditures of approximately $1.1 billion annually for a net of $0.
***** Oversight assumes expenditures of approximately $25.0 million annually for a net of $0.
****** Oversight assumes expenditures of approximately $6.4 million annually for a net of $0.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Federal *	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	1	1	1
Federal	1	1	1
Total Estimated Net Effect on FTE	**2**	**2**	**2**

☒ 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 2020	FY 2021	FY 2022
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

§§190.839, 198.439, 208.437, 208.480, 338.550, and 633.401 - Provider reimbursement allowances

Officials from the **Department of Social Services (DSS)** state passage of the proposed legislation would not fiscally impact DSS for §§190.839, 198.439, 208.437, 208.480, 338.550 and 633.401. However, if the proposed legislation does not pass, additional funding will be needed to maintain the current level of services. The numbers provided are based on an annual total for each program.

§190.839 - Ambulance Provider Tax: The proposed legislation allows the MO HealthNet Division (MHD) to collect approximately $10,482,720 in Ambulance Tax in FY 2020 and $10,482,720 in FY 2021, which will allow MHD to draw in federal funds of approximately $19,979,676 in FY 2020 and $19,979,676 in FY 2021. The FY 2020 budget submitted by the DSS and the FY 2021 budget that will be submitted assumes the ambulance tax would continue through fiscal year 2020 and 2021. If this proposed legislation does not pass, additional General Revenue (GR) funds of $10,482,720 in FY 2020 and $10,482,720 in FY 2021 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 $186,309,722 in FY 2020 and $186,309,722 in FY 2021 in Nursing Facility Tax, which will allow MHD to draw in federal funds of $355,099,443 in FY 2020 and $355,099,443 in FY 2021. The FY 2020 budget submitted by the DSS and the FY 2021 budget that will be submitted assumes the nursing facility tax would continue through fiscal year 2020 and 2021. If this proposed legislation does not pass, additional GR funds of $186,309,722 in FY 2020 and $186,309,722 in FY 2021 would be needed to continue the current level of services.

§§208.431 - 208.437 - Managed Care Provider Tax: The MHD is not currently collecting the Managed Care Organization Reimbursement Allowance under §208.431, however, if the proposed legislation passes it would be applied to Managed Care Organizations (MCOs). As defined in this section, MCOs mean Health Maintenance Organizations (HMOs) defined in §354.400, including health maintenance organizations operating pursuant to a contract under 42 U.S.C. Section 1396b(m) to provide benefits to MO HealthNet managed care program eligibility groups.

§208.431.2 states the Managed Care Tax shall begin on July 1, 2020 which is the start of State Fiscal Year (SFY) 2021. The DSS assumes all waivers from Centers for Medicare & Medicaid Services (CMS) will be complete and the Department will begin collecting the Managed Care Tax on July 1, 2020.

ASSUMPTION (continued)

Federal regulations require that a tax be broad-based, be uniform, and not include a hold harmless clause. The proposed assessment would allow for either a uniform tax or a non-uniform tax to be implemented on HMOs. For the purpose of this fiscal note DSS assumes a non-uniform tax will be implemented.

A **non-uniform tax** would have different rates for Medicaid member months and commercial member months. Additionally, it would exempt Medicare member months as well as member months associated with the Federal Employee Health Benefits Program which is also exempt under federal law. As this tax is not uniform, DSS would apply for a waiver CMS. In order to meet CMS requirements under the waiver with a non-uniform tax, the effective tax for HMOs must meet a B1/B2 test as required of all provider taxes approved by CMS. To meet the B1/B2 test, an analysis was performed utilizing a **non-uniform rate structure by member months** for both the non-Medicaid HMOs and the Medicaid HMOs. The assessment is estimated based on member months from **commercial HMOs from calendar year 2017** and **Medicaid HMOs from November 2018** to be inclusive of statewide managed care.

Overall the assessment would be expected to be $21.5 - $33.5 million of which the **Medicaid Managed Care Organizations tax collection would be $20.1-$31.6 million** and the **commercial tax collection would be $1.4 - $1.9 million**. DSS would need **between $6.9-$10.9 million** of the collection to **use as state share** in adjusting the Medicaid capitation payments to reimburse the cost assessment. Therefore, the **remaining assessment available** would be approximately **$14.6 - $22.6 million**.

The DSS assumes the remaining tax would be used to offset General Revenue.

MHD will require an additional 2 FTE (One Social Services Manager (annual salary: $68,064) and one Management Analysis Specialist II (annual salary: $43,480) to implement and maintain this new assessment. Staff would need to work closely and coordinate payment activities with the HMOs, the State Actuary, and the Department of Revenue.

MHD will need to conduct an actuarial study costing $50,000. The study is needed to calculate and analyze the tax payments for each Managed Care Organization and incorporate this adjustment into the capitated rate methodology.

Until the FY 2020 and FY 2021 budgets are finalized, MHD cannot identify specific appropriations.

ASSUMPTION (continued)

The DSS is providing a range for FY 2021 and FY 2022 based on the options allowed under the language of the bill. FY 2020 costs reflect the 2 FTE, and the actuarial study as the DSS will start collecting the Managed Care Tax at the beginning of FY 2021. Since this legislation states that the sunset will be September 30, 2021, FY22 amounts are only calculated for 3 months.

Managed Care Tax:

GR 2021: $14.6 - $22.6M
GR 2022: $3.7 - $5.7M

Other* 2021: ($21.5 - $33.5M)
Other* 2022: ($5.4 - $8.4M)

Net State share 2021: ($6.9 - $10.9M)
Net State share 2022: ($1.7 - $2.7M)

Federal 2021: ($13.2 - $20.7M)
Federal 2022: ($3.3 - $5.2M)

FTE and Actuarial implementation:

GR 2020: ($111,689)
GR 2021: ($96,839)
GR 2022: ($33,921)

Federal 2020: ($111,689)
Federal 2021: ($96,839)
Federal 2022: ($33,921)

Total:

GR 2020: ($111,689)
GR 2021: $14.5 - $22.5M
GR 2022: $3.7 - $5.7M

Other* 2021: ($21.5 - $33.5M)
Other* 2022: ($5.4 - $8.4M)

ASSUMPTION (continued)

Net State share 2021: ($6.9 - $10.9M)
Net State share 2022: ($1.7 - $2.7M)

Federal 2020: ($111,689)
Federal 2021: ($13.3 - $20.8M)
Federal 2022: ($3.3 - $5.2M)

* Other - **Oversight** will use the Medicaid Managed Care Organization Reimbursement Allowance Fund (0160) for fiscal note purposes.

Oversight notes DSS assumes it will need a total of 2 new FTE as a result of the provisions of this proposal. Based on discussions with DSS officials, it is assumed the additional FTE can be housed within current DSS locations. However, if multiple proposals pass during the legislative session requiring additional FTE, cumulatively the effect of all proposals passed may result in the DSS needing additional rental space.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the revenues and costs (less rental space costs) provided by DSS for fiscal note purposes.

Oversight notes the current provisions of §208.436 refers to the Medicaid Managed Care Organization Reimbursement Allowance Fund (0160). Proposed changes removes "Medicaid" from the fund name. As there is no language in the proposal authorizing the Office of the State Treasurer to create the "Managed Care Organization Reimbursement Allowance Fund", Oversight assumes all taxes collected on managed care organizations will be deposited to the Medicaid Managed Care Organization Reimbursement Allowance Fund. Funds not used to reimburse providers are assumed to be used as the General Revenue match to draw-down federal matching funds and will be used to provide additional services.

§208.480 - Hospital Federal Reimbursement Allowance: The proposed legislation allows the MHD to collect approximately $1,126,129,100 in Hospital Tax in FY 2020 and $1,126,129,100 in FY 2021, which will allow MHD to draw in federal funds of approximately $2,110,153,051 in FY 2020 and $2,110,153,051 in FY 2021. The FY 2020 budget submitted by the DSS and the FY 2021 budget that will be submitted assumes the hospital tax would continue through fiscal year 2020 and 2021. If this proposed legislation does not pass, additional GR funds of $1,126,129,100 would be needed in FY 2020 and $1,126,129,100 in FY 2021 to continue the current level of services.

ASSUMPTION (continued)

§338.550 - Pharmacy Provider Tax: The proposed legislation allows the MHD to collect $25,005,395 in FY 2020 and $25,005,395 in FY 2021 in pharmacy tax, which will allow MHD to draw in federal funds of $47,659,359 in FY 2020 and $47,659,359 in FY 2021. The FY 2020 budget submitted by the DSS and the FY 2021 budget that will be submitted assumes the pharmacy tax would continue through fiscal year 2020 and 2021. If this proposed legislation does not pass, additional GR funds of $25,005,395 in FY 2020 and $25,005,395 in FY 2021 would be needed to continue the current level of services.

§633.401 - Intermediate Care Facility for the Intellectually Disabled Provider Tax (ICF/ID): The proposed legislation allows the MHD to collect approximately $6,442,086 in FY 2020 and $6,442,086 in FY 2021 in intermediate care facilities for the intellectually disabled tax, which will allow MHD to draw in federal funds of $4,771,650 in FY 2020 and $4,771,650 in FY 2021. The FY 2020 budget submitted by the Department of Mental Health and the FY 2021 budget that will be submitted assumes the ICF/ID tax would continue through fiscal year 2020 and 2021. If this proposed legislation does not pass, additional General Revenue funds of $6,442,086 in FY 2020 and $6,442,086 in FY 2021 would be needed to continue the current level of services.

Oversight notes the ICF/ID provider tax name has been changed from the ICF/Mentally Retarded (MR) provider tax. However, for fiscal note purposes, Oversight will use the fund name as it appears on the State Treasurer's Fund Balance Report, which is the ICR/MR Reimbursement Allowance Fund.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the provider taxes needed to draw down federal matching funds as provided by DSS for fiscal note purposes.

Officials from the **Department of Mental Health (DMH)** state the proposed legislation extends the sunset on certain healthcare provider reimbursement allowances and modifies the managed care organization reimbursement allowance. This proposed legislation extends the sunset date to September 30, 2021.

DMH assumes no fiscal impact should the sunset be extended to 2021. The provider assessment for Intermediate Care Facilities for the Intellectually Disabled (ICF/IDs) generates approximately $6.0 million in revenue for DMH. The provider assessment for hospitals generates approximately $13.1 million in additional revenues for DMH.

Oversight notes the DSS is the designated state agency that works with the federal government on Medicaid programs. Therefore, Oversight will use the DSS provider tax numbers for the ICF/ID and hospital provider tax programs.

ASSUMPTION (continued)

§208.453.2 - Safety Net Hospitals

Officials from the **DSS, MHD** state this section defines essential safety net hospital as (1) an acute care hospital that is allowed to transfer intergovernmental funds for federal matching purposes, operates in a city of more than 400,000 inhabitants, has a 25% low income utilization rate and a Medicaid inpatient utilization rate greater than one standard deviation from the mean, and provides medical education training with a medical school operated by the Curators of the University of Missouri; (2) a hospital owned or operated by the Curators of the University of Missouri; or (3) a public hospital operated by the Department of Mental Health primarily for treating mental disorders. This section will not have a fiscal impact.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect no fiscal impact to the DSS, MHD for this section for fiscal note purposes.

Oversight notes the provisions of §208.431 are effective July 1, 2020 (FY21), therefore, Oversight assumes the DSS will not collect the managed care provider tax for FY 2020. §§190.839, 198.439, 208.431 - 208.437, 208.480, 338.550 and 633.401 expire September 30, 2021 (FY 2022). As a result, FY 2022 provider taxes are presented as 3 months of impact. Oversight assumes the same amount of provider allowance taxes will be collected by DSS for all years.

FY 2020 is shown as 9 months of impact for all provider taxes currently being collected since the current provisions expire September 30, 2019. It is also noted that personal service, fringe benefit and E&E costs for new personnel are presented for 10 months.

Bill as a whole

In response to earlier versions of this proposal, officials from the **Office of Administration, Division of Budget & Planning (B&P)** stated this proposal has no direct impact on B&P, no direct impact on general or total state revenues and will not impact the calculation pursuant to Article X, Section 18(e).

Oversight notes, with the exception of certain state-owned facilities, all ambulance districts, nursing facilities, hospitals, pharmacies and ICR/IDs are required to pay provider taxes for the privilege of operating/providing services in the state of Missouri.

For fiscal note purposes, **Oversight** is presenting the provider taxes collected under each of the reimbursement allowance tax categories. However, Oversight assumes expenses equal to the amount of provider taxes collected would be spent on services and the net effect would be $0.

FISCAL IMPACT - State Government	FY 2020 (9 Mo.)	FY 2021	FY 2022 (3 Mo.)
GENERAL REVENUE FUND			
Costs - DSS (§§208.431 - 208.437)			
Personal service	($46,477)	($56,330)	($14,223)
Fringe benefits	($24,672)	($29,776)	($16,946)
Equipment and expense	($10,843)	($4,957)	($1,271)
Actuarial study	($25,000)	$0	$0
Total Costs - DSS	($106,992)	($91,063)	($32,440)
FTE Change - DSS	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**($106,992)**	**($91,063)**	**($32,440)**
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE
AMBULANCE SERVICE REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0958)			
Income - DSS (§190.839)			
Assessment on ambulance organizations	$7,862,040	$10,482,720	$2,620,680
ESTIMATED NET EFFECT ON THE AMBULANCE SERVICE REIMBURSEMENT ALLOWANCE FUND*	**$7,862,040**	**$10,482,720**	**$2,620,680**

FISCAL IMPACT - State Government	FY 2020 (9 Mo.)	FY 2021	FY 2022 (3 Mo.)
NURSING FACILITY FEDERAL REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0196)			
Income - DSS (§198.439) Assessment on nursing facility organizations	$139,732,291	$186,309,722	$46,577,431
ESTIMATED NET EFFECT ON THE NURSING FACILITY FEDERAL REIMBURSEMENT ALLOWANCE FUND*	**$139,732,291**	**$186,309,722**	**$46,577,431**
MEDICAID MANAGED CARE ORGANIZATION REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0160)			
Income - DSS (§§208.431 - 208.437) Assessment on managed care provider organizations	$0	$21,500,000 to $33,500,000	$5,375,000 to $8,375,000
Costs - DSS (§§208.431 - 208.437) Assessment reimbursements to managed care organizations	$0	($6,900,000 to $10,900,000)	($1,725,000 to $2,725,000)
ESTIMATED NET EFFECT ON THE MEDICAID MANAGED CARE ORGANIZATION REIMBURSEMENT ALLOWANCE FUND*	**$0**	**$14,600,000 to $22,600,000**	**$3,650,000 to $5,650,000**

FISCAL IMPACT - State Government	FY 2020 (9 Mo.)	FY 2021	FY 2022 (3 Mo.)
FEDERAL REIMBURSEMENT ALLOWANCE FUND (Hospital provider tax) (0142)			
Income - DSS (§208.480) Assessment on hospital organizations	$844,596,825	$1,126,129,100	$281,532,275
ESTIMATED NET EFFECT ON THE FEDERAL REIMBURSEMENT ALLOWANCE FUND*	**$844,596,825**	**$1,126,129,100**	**$281,532,275**
PHARMACY REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0144)			
Income - DSS (§338.550) Assessment on pharmacy organizations	$18,754,046	$25,005,395	$6,251,349
ESTIMATED NET EFFECT ON THE PHARMACY REIMBURSEMENT ALLOWANCE FUND*	**$18,754,046**	**$25,005,395**	**$6,251,349**
ICR/MR REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0901)			
Income - DSS (§633.401) Assessment on ICF/ID organizations	$4,831,564	$6,442,086	$1,610,522
ESTIMATED NET EFFECT ON THE ICF/MR REIMBURSEMENT ALLOWANCE FUND*	**$4,831,564**	**$6,442,086**	**$1,610,522**

*Oversight assumes expenses equal to the amount of provider taxes collected would be spent on services.

FISCAL IMPACT - State Government	FY 2020 (9 Mo.)	FY 2021	FY 2022 (3 Mo.)
FEDERAL FUNDS			
Income - DSS			
Assessment on ambulance organizations (§190.839)	$14,984,757	$19,979,676	$4,994,919
Assessment on nursing facility organizations (§198.439)	$266,324,582	$355,099,443	$88,774,861
Assessment on managed care organizations (§§208.431 - 208.437)	$0	$13,296,840 to $20,796,840	$3,333,921 to $5,233,921
Assessment on hospital organizations (§208.480)	$1,582,614,788	$2,110,153,051	$527,538,263
Assessment on pharmacy organizations (§338.550)	$35,744,519	$47,659,359	$11,914,840
Assessment on ICF/ID organizations (§633.401)	$3,578,738	$4,771,650	$1,192,912
Total Assessment Income - DSS	$1,903,247,384	$2,550,960,019 to $2,558,460,019	$637,749,716 to $639,649,716
Income - DSS (§§208.431 - 208.437)			
Increase in program reimbursements	$106,992	$91,063	$32,440
Costs - DSS (§§208.431 - 208.437)			
Personal service	($46,477)	($56,330)	($14,223)
Fringe benefits	($24,672)	($29,776)	($16,946)
Equipment and expense	($10,843)	($4,957)	($1,271)
Actuarial study	($25,000)	$0	$0
Total Costs - DSS	($106,992)	($91,063)	($32,440)
FTE Change - DSS	1 FTE	1 FTE	1 FTE
Costs - DSS			
Medicaid program expenditures	($1,903,247,384)	($2,550,960,019 to $2,558,460,019)	($637,749,716 to $639,649,716)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
	$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 act extends the sunsets from September 30, 2019, to September 30, 2021, for the Ground Ambulance, Nursing Facility, Medicaid Managed Care Organization, Hospital, Pharmacy, and Intermediate Care Facility for the Intellectually Disabled Reimbursement Allowances.

Additionally, this act modifies the Medicaid managed care reimbursement allowance by applying it, beginning July 1, 2020, to all managed care organizations in Missouri, including those providing benefits to MO HealthNet managed care participants. The reimbursement allowance may be imposed on the basis of revenue or enrollment and may impose differential rates on Medicaid and commercial businesses; provided that the commercial rate shall not exceed $1.80 per member per month. The Department of Social Services shall recognize the cost of the reimbursement allowance as a cost in calculating actuarially sound reimbursement rates.

Finally, this act adds a definition for "essential safety net hospitals".

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 Mental Health
Department of Social Services
Office of Administration -
Division of Budget & Planning

Kyle Rieman

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HWC:LR:OD

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March 22, 2019	March 22, 2019