

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4576-01
Bill No.: Perfected HB 2456
Subject: Medicaid/MO HealthNet; Treasurer, State; Social Services Department; Mental Health Department; Federal - State Relations
Type: Original
Date: March 18, 2020

Bill Summary: This proposal modifies provisions relating to reimbursement allowance taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Ambulance Services Reimbursement Allowance* (0958)	\$7,575,000	\$2,525,000	\$0
Nursing Facility Federal Reimbursement Allowance** (0196)	\$139,350,000	\$46,450,000	\$0
Federal Reimbursement Allowance*** (0142)	\$867,000,000	\$289,000,000	\$0
Pharmacy Reimbursement Allowance**** (0144)	\$13,500,000	\$4,500,000	\$0
ICR/MR Reimbursement Allowance***** (0901)	\$4,800,000	\$1,600,000	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$1,032,225,000	\$344,075,000	\$0

* Oversight assumes expenditure of approximately \$10.1 million annually for a net of \$0.

** Oversight assumes expenditure of approximately \$185.8 million annually for a net of \$0.

*** Oversight assumes expenditure of approximately \$1.156 billion annually for a net of \$0.

**** Oversight assumes expenditure of approximately \$18 million annually for a net of \$0.

***** Oversight assumes expenditure of approximately \$6.4 million annually for a net of \$0.

Oversight notes this is a continuation of an existing tax for an additional year.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenditures of approximately \$1.96 billion annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

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 \$10.1 million in Ambulance Tax in FY 2021 which will allow MHD to draw in federal funds of approximately \$19.2 million. The FY 2021 budget submitted by the DSS assumes the ambulance tax would continue through fiscal year 2021. If this proposed legislation does not pass, additional General Revenue (GR) funds of \$10.1 million 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 \$185.8 million in FY 2021 in Nursing Facility Tax which will allow MHD to draw in federal funds of \$354.1 million. The FY 2021 budget submitted by the DSS assumes the nursing facility tax would continue through fiscal year 2021. If this proposed legislation does not pass, additional GR funds of \$185.8 million in FY 2021 would be needed to continue the current level of services.

§208.437 - Medicaid 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 \$1.156 billion in Hospital Tax in FY 2021 which will allow MHD to draw in federal funds of approximately \$2.202 billion. The FY 2021 budget submitted by the DSS assumes the hospital tax would continue through fiscal year 2021. If this proposed legislation does not pass, additional GR funds of \$1.156 billion would be needed 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 \$18 million in FY 2021 in pharmacy tax which will allow MHD to draw in federal funds of \$34.3 million. The FY 2021 budget submitted by the DSS assumes the pharmacy tax would continue through fiscal year 2021. If this proposed legislation does not pass, additional GR funds of \$18 million in FY 2021 would be needed to continue the current level of services.

Oversight notes the Pharmacy Provider Tax estimates for the current fiscal note are much lower than the previous year's estimates of collection of \$65.2 million with a federal draw down of \$189.6 million. In discussions with DSS officials, Oversight discovered the Centers for Medicare and Medicaid (CMS) has made Missouri change the amount of its dispensing fee which changed the pharmacy tax revenue. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the fiscal impact provided by DSS for fiscal note purposes.

§633.401 - Intermediate Care Facility for the Intellectually Disabled Provider Tax (ICF/ID): The proposed legislation allows the MHD to collect approximately \$6.4 million in FY 2021 in intermediate care facilities for the intellectually disabled tax which will allow MHD to draw in federal funds of \$4.8 million. The FY 2021 budget submitted by the Department of Mental Health assumes the ICF/ID tax would continue through fiscal year 2021. If this proposed legislation does not pass, additional General Revenue funds of \$6.4 million 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)** assume no fiscal impact should the sunset be extended to September 30, 2021. The provider assessment for ICF/IDs generates approximately \$6.1 million in revenue for DMH. The provider assessment for hospitals generates approximately \$13.2 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)

Officials from the **Office of Administration, Division of Budget & Planning (B&P)** state 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 ICF/IIDs 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.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (9 Mo.)	FY 2022 (3 Mo.)	FY 2023
AMBULANCE SERVICE REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0958)			
<u>Income</u> - DSS (§190.839)			
Assessment on ambulance organizations	<u>\$7,575,000</u>	<u>\$2,525,000</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE AMBULANCE SERVICE REIMBURSEMENT ALLOWANCE FUND*	<u>\$7,575,000</u>	<u>\$2,525,000</u>	<u>\$0</u>
NURSING FACILITY FEDERAL REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0196)			
<u>Income</u> - DSS (§198.439)			
Assessment on nursing facility organizations	<u>\$139,350,000</u>	<u>\$46,450,000</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE NURSING FACILITY FEDERAL REIMBURSEMENT ALLOWANCE FUND*	<u>\$139,350,000</u>	<u>\$46,450,000</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2021 (9 Mo.)	FY 2022 (3 Mo.)	FY 2023
FEDERAL REIMBURSEMENT ALLOWANCE FUND (Hospital provider tax) (0142)			
<u>Income</u> - DSS (§208.480) Assessment on hospital organizations	<u>\$867,000,000</u>	<u>\$289,000,000</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE FEDERAL REIMBURSEMENT ALLOWANCE FUND*	<u>\$867,000,000</u>	<u>\$289,000,000</u>	<u>\$0</u>
PHARMACY REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0144)			
<u>Income</u> - DSS (§338.550) Assessment on pharmacy organizations	<u>\$13,500,000</u>	<u>\$4,500,000</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE PHARMACY REIMBURSEMENT ALLOWANCE FUND*	<u>\$13,500,000</u>	<u>\$4,500,000</u>	<u>\$0</u>
ICR/MR REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0901)			
<u>Income</u> - DSS (§633.401) Assessment on ICF/ID organizations	<u>\$4,800,000</u>	<u>\$1,600,000</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE ICF/MR REIMBURSEMENT ALLOWANCE FUND*	<u>\$4,800,000</u>	<u>\$1,600,000</u>	<u>\$0</u>

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

<u>FISCAL IMPACT - State Government</u>	FY 2021 (9 Mo.)	FY 2022 (3 Mo.)	FY 2023
FEDERAL FUNDS			
<u>Income - DSS</u>			
Assessment on ambulance organizations (§190.839)	\$14,400,000	\$4,800,000	\$0
Assessment on nursing facility organizations (§198.439)	\$265,575,000	\$88,525,000	\$0
Assessment on hospital organizations (§208.480)	\$1,651,500,000	\$550,500,000	\$0
Assessment on pharmacy organizations (§338.550)	\$25,725,000	\$8,575,000	\$0
Assessment on ICF/ID organizations (§633.401)	<u>\$3,600,000</u>	<u>\$1,200,000</u>	<u>\$0</u>
Total <u>Income - DSS</u>	<u>\$1,960,800,000</u>	<u>\$653,600,000</u>	<u>\$0</u>
<u>Costs - DSS</u>			
Medicaid program expenditures	<u>(\$1,960,800,000)</u>	<u>(\$653,600,000)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<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 bill extends the sunsets from September 30, 2020 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 Allowance taxes (§§190.839, 198.439, 208.437, 208.480, 338.550, and 633.401).

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



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March 18, 2020



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March 18, 2020