

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1073S.01I  
 Bill No.: SB 103  
 Subject: Health Care; Hospitals; Medicaid/Mo Healthnet; Public Assistance; Social Services, Department of  
 Type: Original  
 Date: February 9, 2021

Bill Summary: This proposal modifies reimbursement for MO HealthNet hospital outpatient services.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	\$16,159,616	\$19,391,540	\$19,391,540
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$16,159,616</b>	<b>\$19,391,540</b>	<b>\$19,391,540</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Federal Reimbursement Allowance (FRA) (0142)	\$29,976,512	\$35,971,814	\$35,971,814
<b>Total Estimated Net Effect on <u>Other State Funds</u></b>	<b>\$29,976,512</b>	<b>\$35,971,814</b>	<b>\$35,971,814</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Federal*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Savings and losses estimated at \$37.6 million annually and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government - Hospitals</b>	<b>Less than (\$77,518,778)</b>	<b>Less than (\$93,022,534)</b>	<b>Less than (\$93,022,534)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §208.152 – Changes in payments to hospitals for outpatient services.

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)**, state as follows:

The MHD performed a simulation based on previous Outpatient Hospital Reimbursements over a year to find the estimated savings per the language of this legislation. Based on this data, the MHD found there would be a total estimated savings of \$93,022,534 for FY22.

For FY23 and FY24, the estimated savings would approximately be the same as FY22. However, these savings will fluctuate due to changing Medicare rates and utilization of outpatient hospital services. Due to the unknown nature of these Medicare rates and utilization, savings could increase or decrease, depending on whether the Medicare rates/utilization increase or decrease.

These savings would also affect the Federal Reimbursement Allowance (FRA) fund since we are referring to hospital claims. The FRA fund (Fund 0142) is represented by “Other” below and would be the Hospital FRA share of the total savings.

FY22 (10 months) Total: \$77,518,778 (GR: \$16,159,616; Federal: \$31,382,650; Other (FRA): \$29,976,512)

FY23 Total: \$93,022,534 (GR: \$19,391,540; Federal: \$37,659,180; Other (FRA): \$35,971,814)

FY24 Total: \$93,022,534 (GR: \$19,391,540; Federal: \$37,659,180; Other (FRA): \$35,971,814)

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DSS/MHD.

Officials from the **Hermann Area Hospital District** state that reducing their reimbursement to 50% of the Medicare rate for hospital outpatient services will cause them significant financial hardship. Their current payments are approximately \$550,000. If they only receive only 50% of the Medicare rate, those payments will be reduced to approximately \$200,000. They would end up losing around \$350,000 annually.

**Oversight** has no information to the contrary. Oversight notes that if the savings by DSS is greater or less than the DSS projections, hospitals generally will experience corresponding lost reimbursements. Therefore, Oversight will reflect the total DSS projected savings estimate of \$93,022,534 annually as a loss to hospitals overall for the purpose of this fiscal note. Oversight notes that not all hospitals are owned/operated by local political subdivisions; therefore, Oversight will assume a “Less than” impact.

Officials from the **Office of Administration, Budget and Planning**, the **Department of Commerce and Insurance**, the **Department of Health and Senior Services** and the **Department of Mental Health** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other hospitals were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE FUND</b>			
<u>Savings</u> – DSS (§208.152) Reduction in Hospital Outpatient Service Reimbursements	\$16,159,616	\$19,391,540	\$19,391,540
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$16,159,616</u></b>	<b><u>\$19,391,540</u></b>	<b><u>\$19,391,540</u></b>
<b>FEDERAL REIMBURSEMENT ALLOWANCE FUND (Hospital provider tax) (0142)</b>			
<u>Savings</u> – DSS (§208.152) Reduction in Hospital Outpatient Service Reimbursements	\$29,976,512	\$35,971,814	\$35,971,814
<b>ESTIMATED NET EFFECT ON THE FEDERAL REIMBURSEMENT ALLOWANCE FUND</b>	<b><u>\$29,976,512</u></b>	<b><u>\$35,971,814</u></b>	<b><u>\$35,971,814</u></b>

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>FEDERAL FUNDS</b>			
<u>Savings</u> – DSS (§208.152) Hospital Outpatient Service Reimbursements	\$31,382,650	\$37,659,180	\$37,659,180
<u>Losses</u> - DSS (§208.152) Hospital Outpatient Service Reimbursements	(\$31,382,650)	(\$37,659,180)	(\$37,659,180)
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL GOVERNMENTS - HOSPITALS</b>			
<u>Losses</u> - Hospitals (§208.152) Reduction in Hospital Outpatient Service Reimbursements	<u>Less than</u> (\$77,518,778)	<u>Less than</u> (\$93,022,534)	<u>Less than</u> (\$93,022,534)
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - HOSPITALS</b>	<b><u>Less than</u> (\$77,518,778)</b>	<b><u>Less than</u> (\$93,022,534)</b>	<b><u>Less than</u> (\$93,022,534)</b>

#### FISCAL IMPACT – Small Business

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

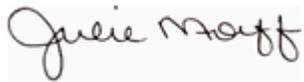
#### FISCAL DESCRIPTION

This act changes the MO HealthNet reimbursement for hospital outpatient services from 80% of the lesser of reasonable costs or customary charges for such services to 50% of the comparable Medicare reimbursement rate for such services (§208.152).

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

Office of Administration - Budget and Planning  
Department of Commerce and Insurance  
Department of Health and Senior Services  
Department of Mental Health  
Department of Social Services  
Hermann Area Hospital District



Julie Morff  
Director  
February 9, 2021



Ross Strobe  
Assistant Director  
February 9, 2021