

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2828S.11P  
Bill No.: Perfected SS #3 for SB 1  
Subject: Ambulances and Ambulance Districts; Health Care; Health Care Professionals;  
Hospitals; Medicaid; Nursing and Boarding Homes; Pharmacy; Department of  
Social Services  
Type: Original  
Date: June 25, 2021

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Bill Summary: Extends the sunset on certain health care provider federal reimbursement allowances and modifies provisions relating to health care.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Ambulance Services Reimbursement Allowance* (0958)	\$6,550,000	\$8,700,000	\$8,700,000
Nursing Facility Federal Reimbursement Allowance** (0196)	\$139,940,000	\$186,600,000	\$186,600,000
Federal Reimbursement Allowance*** (0142)	\$991,000,000	\$1,321,000,000	\$1,321,000,000
Pharmacy Reimbursement Allowance**** (0144)	\$53,220,000	\$71,000,000	\$71,000,000
ICR/MR Reimbursement Allowance***** (0901)	\$4,800,000	\$6,400,000	\$6,400,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$1,195,510,000</b>	<b>\$1,593,700,000</b>	<b>\$1,593,700,000</b>

\* Oversight assumes expenditure of approximately \$8.7 million annually for a net of \$0.

\*\* Oversight assumes expenditure of approximately \$186.6 million annually for a net of \$0.

\*\*\* Oversight assumes expenditure of approximately \$1.321 billion annually for a net of \$0.

\*\*\*\* Oversight assumes expenditure of approximately \$71 million annually for a net of \$0.

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

<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>

\* FRA Income and expenditures of approximately \$3.067 billion 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 or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full 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</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

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

In response to a previous version, officials from the **Department of Social Services (DSS)** stated 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 \$8.7 million in Ambulance Tax annually in FY 2022 to FY 2024 which will allow MHD to draw in federal funds of approximately \$16.3 million each year. The FY 2022 budget submitted by the DSS assumes the ambulance tax would continue through fiscal year 2022. If this proposed legislation does not pass, additional General Revenue (GR) funds of \$8.7 million annually in FY 2022 to FY 2024 would be needed to continue the current level of services.

§198.439 - Nursing Facility Reimbursement Allowance Tax: **DSS** stated the proposed legislation allows the MHD to collect \$186.6 million annually in FY 2022 to FY 2024 in Nursing Facility Tax which will allow MHD to draw in federal funds of \$348.5 million each year. The FY 2022 budget submitted by the DSS assumes the nursing facility tax would continue through fiscal year 2022. If this proposed legislation does not pass, additional GR funds of \$186.6 million annually in FY 2022 through FY 2024 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: **DSS** stated the proposed legislation allows the MHD to collect approximately \$1.32 billion in Hospital Tax annually in FY 2022 to FY 2024 which will allow MHD to draw in federal funds of approximately \$2.565 billion each year. The FY 2022 budget submitted by the DSS and the FY23 budget that will be submitted assumes the hospital tax would continue through fiscal years 2022 to FY 2024. If this proposed legislation does not pass, additional GR funds of \$1.32 billion would be needed annually FY 2022 through FY 2024 to continue the current level of services.

§338.550 - Pharmacy Provider Tax: The proposed legislation allows the MHD to collect \$71 million annually in FY 2022 to FY 2024 in pharmacy tax which will allow MHD to draw in federal funds of \$132.5 million each year. The FY 2022 budget submitted by the DSS assumes the pharmacy tax would continue through fiscal year 2022. If this proposed legislation does not pass, additional GR funds of \$71 million annually in FY 2022 through FY 2024 would be needed to continue the current level of services.

**Oversight** notes the Pharmacy Provider Tax (PFRA) estimates for the current fiscal note are much higher than the previous year's estimates of collection of \$18 million with a federal draw down of \$34.3 million. The FY 2020 tax rate was 0.43%. The FY 2021 tax rate is 1.40% resulting in an increase in the PFRA collected and a corresponding increase in the federal draw down. In discussions with DSS officials, Oversight discovered the change was related to the supplemental new decision item for PFRA this past fall. DSS is engaged in ongoing discussions with the Centers for Medicare and Medicaid (CMS) around the level of the Pharmacy Dispensing Fee, which is partially funded by PFRA, and which initially resulted in adjustments lowering the rate in anticipation of a lower CMS-approved Dispensing Fee. As part of the CMS discussion, MHD initiated a Provider survey and provided this to CMS. More recent guidance from CMS indicates a higher level of Dispensing Fee will be approved than anticipated. The tax rate was restored in July 2020 to reflect levels consistent with previous years.

**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): **DSS** stated the proposed legislation allows the MHD to collect approximately \$6.4 million in FY 2022 in intermediate care facilities for the intellectually disabled tax which will allow MHD to draw in federal funds of \$4.7 million. The FY 2022 budget submitted by the Department of Mental Health assumes the ICF/ID tax would continue through fiscal year 2022. If this proposed legislation does not pass, additional General Revenue funds of \$6.4 million annually in FY 2022 through FY 2024 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. As of FY 2020, the fund name appears on the State Treasurer's Fund Balance Report as the ICF/ID 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.

In response to a previous version, officials from the **Department of Mental Health (DMH)** assumed no fiscal impact should the sunset be extended to September 30, 2024. The provider assessment for ICF/IDs generates approximately \$6 million in revenue for DMH. The provider assessment for hospitals generates approximately \$14.1 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.

**Oversight** notes, with the exception of certain state-owned facilities, all ambulance districts, nursing facilities, hospitals, pharmacies and ICF/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.

#### Responses regarding the proposed legislation as a whole

In response to a previous version, the **Attorney General's Office**, the **Department of Commerce and Insurance**, the **Department of Health and Senior Services**, the **Office of Administration, Division of Budget & Planning (B&P)** and the **Office of the State Courts Administrator** each assumed the proposal would 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 (9 Mo.)	FY 2023	FY 2024
<b>AMBULANCE SERVICE REIMBURSEMENT ALLOWANCE FUND</b> (Provider tax) (0958)			
<u>Income - DSS</u> (§190.839) Assessment on ambulance organizations	<u>\$6,550,000</u>	<u>\$8,700,000</u>	<u>\$8,700,000</u>
<b>ESTIMATED NET EFFECT ON THE AMBULANCE SERVICE REIMBURSEMENT ALLOWANCE FUND*</b>	<b><u>\$6,550,000</u></b>	<b><u>\$8,700,000</u></b>	<b><u>\$8,700,000</u></b>
<b>NURSING FACILITY FEDERAL REIMBURSEMENT ALLOWANCE FUND</b> (Provider tax) (0196)			
<u>Income - DSS</u> (§198.439) Assessment on nursing facility organizations	<u>\$139,940,000</u>	<u>\$186,600,000</u>	<u>\$186,600,000</u>
<b>ESTIMATED NET EFFECT ON THE NURSING FACILITY FEDERAL REIMBURSEMENT ALLOWANCE FUND*</b>	<b><u>\$139,940,000</u></b>	<b><u>\$186,600,000</u></b>	<b><u>\$186,600,000</u></b>
<b>FEDERAL REIMBURSEMENT ALLOWANCE FUND</b> (Hospital provider tax) (0142)			
<u>Income - DSS</u> (§208.480) Assessment on hospital organizations	<u>\$991,000,000</u>	<u>\$1,321,000,000</u>	<u>\$1,321,000,000</u>
<b>ESTIMATED NET EFFECT ON THE FEDERAL REIMBURSEMENT ALLOWANCE FUND*</b>	<b><u>\$991,000,000</u></b>	<b><u>\$1,321,000,000</u></b>	<b><u>\$1,321,000,000</u></b>

<u>FISCAL IMPACT – State Government</u> (continued)	FY 2022 (9 Mo.)	FY 2023	FY 2024
<b>PHARMACY REIMBURSEMENT ALLOWANCE FUND</b> (Provider tax) (0144)			
<u>Income</u> - DSS (\$338.550) Assessment on pharmacy organizations	<u>\$53,220,000</u>	<u>\$71,000,000</u>	<u>\$71,000,000</u>
<b>ESTIMATED NET EFFECT ON THE PHARMACY REIMBURSEMENT ALLOWANCE FUND*</b>	<b><u>\$53,220,000</u></b>	<b><u>\$71,000,000</u></b>	<b><u>\$71,000,000</u></b>
<b>ICF/ID REIMBURSEMENT ALLOWANCE FUND</b> (Provider tax) (0901)			
<u>Income</u> - DSS (\$633.401) Assessment on ICF/ID organizations	<u>\$4,800,000</u>	<u>\$6,400,000</u>	<u>\$6,400,000</u>
<b>ESTIMATED NET EFFECT ON THE ICF/ID REIMBURSEMENT ALLOWANCE FUND*</b>	<b><u>\$4,800,000</u></b>	<b><u>\$6,400,000</u></b>	<b><u>\$6,400,000</u></b>
* Oversight assumes expenses equal to the amount of provider taxes collected would be spent on services.			
<u>FISCAL IMPACT – State Government</u> (continued)	FY 2022 (9 Mo.)	FY 2023	FY 2024



<b>FEDERAL FUNDS</b>			
<u>Income - DSS</u>			
Assessment on ambulance organizations (§190.839)	\$12,228,000	\$16,300,000	\$16,300,000
Assessment on nursing facility organizations (§198.439)	\$261,400,000	\$348,500,000	\$348,500,000
Assessment on hospital organizations (§208.480)	\$1,924,000,000	\$2,565,000,000	\$2,565,000,000
Assessment on pharmacy organizations (§338.550)	\$99,400,000	\$132,500,000	\$132,500,000
Assessment on ICF/ID organizations (§633.401)	\$3,500,000	\$4,700,000	\$4,700,000
<b>Total Income - DSS</b>	<b>\$2,300,528,000</b>	<b>\$3,067,000,000</b>	<b>\$3,067,000,000</b>
<u>Costs - DSS</u>			
Medicaid program expenditures	(\$2,300,528,000)	(\$3,067,000,000)	(\$3,067,000,000)
<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><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></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 extends the sunsets from September 30, 2021, to September 30, 2024, for the Ground Ambulance, Nursing Facility, Medicaid Managed Care Organization, Hospital, Pharmacy, and Intermediate Care Facility for the Intellectually Disabled Federal Reimbursement Allowances (§§190.839; 198.439; 208.437; 208.480; 338.550 and 633.401).

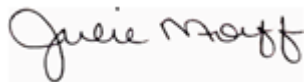
Additionally, this act excludes from MO HealthNet coverage of family planning services any abortifacient drugs or devices used to induce an abortion (§208.152).

This act contains a severability clause.

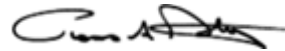
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Attorney General's Office  
Department of Commerce and Insurance  
Department of Health and Senior Services  
Department of Mental Health  
Department of Social Services  
Office of Administration - Division of Budget & Planning  
Office of the State Courts Administrator



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June 25, 2021



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