

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1034-02
Bill No.: HCS for HB 236
Subject: Federal-State Relations; Medicaid; Nursing and Boarding Homes; Ambulance
Districts
Type: Original
Date: February 9, 2011

Bill Summary: This legislation extends the sunset dates of various federal reimbursement allowances from 2011 to 2016.

This legislation will sunset on September 30, 2016.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Ambulance Provider Tax Fund*	\$0	\$0	\$0
Nursing Facility Reimbursement Allowance Tax Fund**	\$0	\$0	\$0
Managed Care Provider Tax Fund***	\$0	\$0	\$0
Hospital Reimbursement Allowance Fund****	\$0	\$0	\$0
Pharmacy Provider Tax Fund*****	\$0	\$0	\$0
ICF/MR Provider Tax Fund*****	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Revenues and expenditures of approximately \$9,000,000 net to \$0.

**Revenues and expenditures of approximately \$104,000,000 net to \$0.

***Revenues and expenditures of approximately Unknown net to \$0.

****Revenues and expenditures of up to approximately \$886,000,000 net to \$0.

*****Revenues and expenditures of approximately \$56,000,000 net to \$0.

*****Revenues and expenditures of approximately \$6,000,000 net to \$0.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Federal Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Revenues and expenditures of approximately \$1,900,000,000 net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 Health and Senior Services**, **Department of Revenue**, **Missouri State Treasurer** and the **Office of Administration-Budget and Planning** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In response to a previous version of this proposal, officials from the **Department of Mental Health (DMH)** states the proposed legislation extends the sunset date of various federal reimbursement allowances from 2011 to 2016. Included in this proposal is the extension for the provider assessment for ICF/MR's for five years. If this sunset is extended, there would be no impact to The Department of Mental Health. If this legislation does not pass and the date does sunset, DMH would lose approximately \$2.7 million in General Revenue and \$4.7 million in Federal funding for next year.

ASSUMPTION (continued)

The section of this legislation pertaining to the Hospital program RSMo 208.453 has no extension of the sunset date. If the provider assessment is similar to last year's amount, then the Department of Mental Health would lose approximately \$14.8 million in additional revenues (\$9.4 million federal, \$5.4 million general revenue) . Therefore, the DMH estimates a cost of \$5.4 million in general revenue and \$9.4 million in federal funds.

Oversight notes that the Department of Social Services (DSS) is the contact Department that works with the Federal government on Medicaid programs. Therefore, Oversight has decided to use DSS provider tax numbers for the ICF/MR provider tax program.

In response to a previous version of this proposal, officials from the **Department of Social Services - MO HealthNet Division (MHD)** stated the 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.

The proposed legislation grants a five-year extension for the Managed Care Organization Reimbursement Allowance, the Ambulance Provider Tax, the Pharmacy Tax, the ICF/MR tax program and the Nursing Facility Reimbursement Allowance Tax.

Section 190.839 - Ambulance Provider Tax:

MHD is not currently collecting the Ambulance Provider Tax. In FY 12 it is anticipated MHD will collect \$9,069,225 in ambulance tax.

Section 198.439 - Nursing Facility Reimbursement Allowance Tax:

The proposed legislation allows the MHD to collect \$104,175,945 in Nursing Facility Tax, which will allow MHD to draw in federal funds of \$180,847,160 in fiscal year 2012. The FY 12 budget submitted by the DSS assumed the nursing facility tax would continue through fiscal year 2012. If this proposed legislation does not pass, additional General Revenue funds of \$104,175,945 would be needed to continue the current level of services.

Section 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.

ASSUMPTION (continued)

Section 208.480 – Hospital Reimbursement Allowance:

The proposed legislation allowed the MHD to collect \$885,560,378, in hospital FRA tax, which would allow MHD to draw in federal funds of \$1,586,690,817 in fiscal year 2010. The FY 10 budget submitted by the DMH assumed that the hospital FRA would continue through fiscal year 2010. If this proposed legislation does not pass, additional General Revenue funds of \$885,560,378 would be needed to continue the current level of services.

Section 338.550 – Pharmacy Provider Tax:

The proposed legislation allows the MHD to collect \$55,553,508 in pharmacy tax, which will allow DMS to draw in federal funds of \$96,273,516 in fiscal year 2012. The FY 12 budget submitted by the DSS assumed the pharmacy tax would continue through fiscal year 2012. If this proposed legislation does not pass, additional General Revenue funds of \$55,553,508 would be needed to continue the current level of services.

Section 633.401 - ICF/MR Provider Tax:

The proposed legislation allows the MHD to collect \$5,840,357 in intermediate care facilities for the mentally retarded tax, which will allow MHD to draw in federal funds of \$4,003,572 in fiscal year 2012. The FY 12 budget submitted by the Department of Mental Health assumed the intermediate care facilities for the mentally retarded tax would continue through fiscal year 2012. If this proposed legislation does not pass, additional General Revenue funds of \$5,840,357 would be needed to continue the current level of services.

<u>FISCAL IMPACT - State Government</u>	FY 2012	FY 2013	FY 2014
AMBULANCE PROVIDER TAX FUND (Section 190.839)			
<u>Income - Department of Social Services</u>			
Assessment on Medicaid			
Ambulance Organizations	<u>\$9,069,225</u>	<u>\$9,069,225</u>	<u>\$9,069,225</u>
<u>Costs - Department of Social Services</u>			
Medicaid Program Costs	<u>(\$9,069,225)</u>	<u>(\$9,069,225)</u>	<u>(\$9,069,225)</u>
ESTIMATED NET EFFECT ON AMBULANCE PROVIDER TAX FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

NURSING FACILITY REIMBURSEMENT ALLOWANCE TAX FUND (Section 198.439)			
<u>Income - Department of Social Services</u>			
Assessment on Medicaid Nursing Facility Organizations			
	<u>\$104,175,945</u>	<u>\$104,175,945</u>	<u>\$104,175,945</u>
<u>Costs - Department of Social Services</u>			
Medicaid Program Costs	<u>(\$104,175,945)</u>	<u>(\$104,175,945)</u>	<u>(\$104,175,945)</u>
ESTIMATED NET EFFECT ON NURSING FACILITY REIMBURSEMENT ALLOWANCE TAX FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - State Government FY 2012 FY 2013 FY 2014
 (continued)

**MANAGED CARE PROVIDER
 TAX FUND** (Section 208.437)

Income - Department of Social Services
 Assessment on Medicaid Managed
 Care Organizations Unknown Unknown Unknown

Costs - Department of Social Services
 Medicaid Program Costs (Unknown) (Unknown) (Unknown)

**ESTIMATED NET EFFECT ON
 MANAGED CARE PROVIDER
 TAX FUND** **\$0** **\$0** **\$0**

**HOSPITAL REIMBURSEMENT
 ALLOWANCE FUND** (Section
 208.480)

Income - Department of Social Services
 Assessment on Medicaid Hospital
 Organizations \$885,560,378 \$885,560,378 \$885,560,378

Costs - Department of Social Services
 Medicaid Program Costs (\$885,560,378) (\$885,560,378) (\$885,560,378)

**ESTIMATED NET EFFECT ON
 HOSPITAL REIMBURSEMENT
 ALLOWANCE FUND** **\$0** **\$0** **\$0**

FISCAL IMPACT - State Government **FY 2012** **FY 2013** **FY 2014**
(continued)

**PHARMACY PROVIDER TAX
FUND (Section 338.550)**

Income - Department of Social Services
 Assessment on Medicaid Pharmacy
 Organizations

\$55,553,508 \$55,553,508 \$55,553,508

Costs - Department of Social Services
 Medicaid Program Costs

(\$55,553,508) (\$55,553,508) (\$55,553,508)

**ESTIMATED NET EFFECT ON
PHARMACY PROVIDER TAX
FUND**

\$0 \$0 \$0

**ICF/MR PROVIDER TAX (Section
633.401)**

Income - Department of Social Services
 Assessment on Medicaid ICF/MR
 Organizations

\$5,840,357 \$5,840,357 \$5,840,357

Costs - Department of Social Services
 Medicaid Program Costs

(\$5,840,357) (\$5,840,357) (\$5,840,357)

**ESTIMATED NET EFFECT ON
ICF/MR PROVIDER TAX FUND**

\$0 \$0 \$0

FISCAL IMPACT - State Government FY 2012 FY 2013 FY 2014
 (continued)

FEDERAL FUND

Income - Department of Social Services

Assessment on Medicaid Ambulance Organizations	Unknown	Unknown	Unknown
Assessment on Medicaid Nursing Facility Organizations	\$180,847,160	\$180,847,160	\$180,847,160
Assessment on Medicaid Managed Care Organizations	Unknown	Unknown	Unknown
Assessment on Medicaid Hospital Organizations	\$1,586,690,817	\$1,586,690,817	\$1,586,690,817
Assessment on Medicaid Pharmacy Organizations	\$96,273,516	\$96,273,516	\$96,273,516
Assessment on Medicaid ICF/MR Organizations	<u>\$4,003,572</u>	<u>\$4,003,572</u>	<u>\$4,003,572</u>
<u>Total Income - DSS</u>	<u>\$1,867,815,065</u>	<u>\$1,867,815,065</u>	<u>\$1,867,815,065</u>

Costs - Department of Social Services

Medicaid Program Cost	<u>(\$1,867,815,065)</u>	<u>(\$1,867,815,065)</u>	<u>(\$1,867,815,065)</u>
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**ESTIMATED NET EFFECT ON
 FEDERAL FUNDS**

\$0 \$0 \$0

FISCAL IMPACT - Local Government FY 2012 FY 2013 FY 2014
 (10 Mo.)

\$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

Sections 190.839, 198.439, 208.437, 208.480, 338.550 & 633.401:

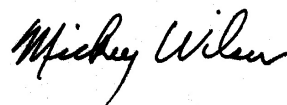
This legislation extends the expiration date of various federal reimbursement allowances from September 30, 2011, to September 30, 2016, including:

- (1) The ground ambulance service reimbursement allowance in Sections 190.800 - 190.839, RSMo;
- (2) The nursing facility reimbursement allowance in Sections 198.401 - 198.436;
- (3) The Missouri Medicaid Program's managed care organization reimbursement allowance in Sections 208.431 - 208.437;
- (4) The pharmacy reimbursement allowance tax in Sections 338.500 - 338.550; and
- (5) The assessment on intermediate care facilities for the mentally retarded in Section 633.401.
- (6) The hospital reimbursement allowance in Section 208.480.

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 the Secretary of State
Office of Administration-Budget and Planning
Missouri State Treasurer
Department of Social Services
Department of Health and Senior Services
Department of Mental Health
Department of Revenue



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Mickey Wilson, CPA
Director
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