

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1500H.01I
Bill No.: HB 728
Subject: Medicaid/Mo Healthnet; Treasurer, State; Social Services, Department of; Mental Health, Department of; Federal - State Relations; Taxation and Revenue - General
Type: Original
Date: April 13, 2021

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

FISCAL SUMMARY

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

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Ambulance Services Reimbursement Allowance* (0958)	\$6,525,000	\$8,700,000	\$2,175,000
Nursing Facility Federal Reimbursement Allowance** (0196)	\$139,950,000	\$186,600,000	\$46,650,000
Federal Reimbursement Allowance*** (0142)	\$960,000,000	\$1,280,000,000	\$320,000,000
Pharmacy Reimbursement Allowance**** (0144)	\$81,000,000	\$108,000,000	\$27,000,000
ICR/MR Reimbursement Allowance***** (0901)	\$4,800,000	\$6,400,000	\$1,600,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$1,192,275,000	\$1,589,700,000	\$397,425,000

* 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 \$1.28 billion annually for a net of \$0.

**** Oversight assumes expenditure of approximately \$108 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 two additional years.

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

* Income and expenditures of approximately \$2.962 billion annually and net to \$0.

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

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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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 \$8.7 million in Ambulance Tax in FY 2022 and FY 2023 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 in FY 2022 and FY 2023 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 \$186.6 million in FY 2022 and FY 2023 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 in FY 2022 and FY 2023 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 \$1.28 billion in Hospital Tax in FY 2022 and FY 2023 which will allow MHD to draw in federal funds of approximately \$2.391 billion each year. The FY 2022 budget submitted by the DSS assumes the hospital tax would continue through fiscal year 2022. If this proposed legislation does not pass, additional GR funds of \$1.28 billion would be needed in FY 2022 and FY 2023 to continue the current level of services.

§338.550 - Pharmacy Provider Tax: The proposed legislation allows the MHD to collect \$108 million in FY 2022 and FY 2023 in pharmacy tax which will allow MHD to draw in federal funds of \$201.7 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 \$108 million in FY 2022 and FY 2023 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): 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 in FY 2022 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.

Officials from the **Department of Mental Health (DMH)** assume no fiscal impact should the sunset be extended to September 30, 2023. The provider assessment for ICF/IDs generates approximately \$6.1 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.

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.

FEDERAL REIMBURSEMENT ALLOWANCE FUND (Hospital provider tax) (0142)			
<u>Income</u> - DSS (§208.480) Assessment on hospital organizations	<u>\$960,000,000</u>	<u>\$1,280,000,000</u>	<u>\$320,000,000</u>
ESTIMATED NET EFFECT ON THE FEDERAL REIMBURSEMENT ALLOWANCE FUND*	<u>\$960,000,000</u>	<u>\$1,280,000,000</u>	<u>\$320,000,000</u>
PHARMACY REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0144)			
<u>Income</u> - DSS (§338.550) Assessment on pharmacy organizations	<u>\$81,000,000</u>	<u>\$108,000,000</u>	<u>\$27,000,000</u>
ESTIMATED NET EFFECT ON THE PHARMACY REIMBURSEMENT ALLOWANCE FUND*	<u>\$81,000,000</u>	<u>\$108,000,000</u>	<u>\$27,000,000</u>
<u>FISCAL IMPACT</u> – State Government	FY 2022 (9 Mo.)	FY 2023	FY 2024 (3 Mo.)
ICF/ID REIMBURSEMENT ALLOWANCE FUND (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>\$1,600,000</u>
ESTIMATED NET EFFECT ON THE ICF/ID REIMBURSEMENT ALLOWANCE FUND*	<u>\$4,800,000</u>	<u>\$6,400,000</u>	<u>\$1,600,000</u>
* Oversight assumes expenses equal to the amount of provider taxes collected would be spent on services.			
FEDERAL FUNDS			

Income - DSS			
Assessment on ambulance organizations (§190.839)	\$12,225,000	\$16,300,000	\$4,075,000
Assessment on nursing facility organizations (§198.439)	\$261,375,000	\$348,500,000	\$87,125,000
Assessment on hospital organizations (§208.480)	\$1,793,250,000	\$2,391,000,000	\$597,750,000
Assessment on pharmacy organizations (§338.550)	\$151,275,000	\$201,700,000	\$50,425,000
Assessment on ICF/ID organizations (§633.401)	\$3,525,000	\$4,700,000	\$1,175,000
Total Income - DSS	\$2,221,650,000	\$2,962,200,000	\$740,550,000
Costs - DSS			
Medicaid program expenditures	(\$2,221,650,000)	(\$2,962,200,000)	(\$740,550,000)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	\$0	\$0	\$0

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
	\$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

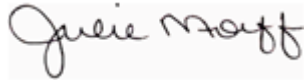
This bill extends the sunsets from September 30, 2021 to September 30, 2023, for reimbursement allowance taxes imposed on ground ambulances, nursing facilities, Medicaid managed care organizations, hospitals, pharmacies, and intermediate care facilities for the intellectually disabled (§§190.839; 198.439; 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.

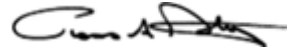
SOURCES OF INFORMATION

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

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