



OFFICE OF LEGISLATIVE AUDITOR
Fiscal Note

Fiscal Note On: HB 482 HLS 17RS 1068
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.: REVISED

Date: May 16, 2017 1:46 PM Author: JACKSON
Dept./Agy.: Political Subdivisions Analyst: Sarah Futch
Subject: Parish Healthcare Provider Participation Programs

HOSPITALS OR INCREASE SG RV See Note Page 1 of 2
Provides relative to healthcare provider participation programs

Purpose of Bill: This bill authorizes political subdivisions to participate in a local healthcare provider participation program in which the political subdivision will collect a mandatory payment from certain non-governmental hospitals. The mandatory payments will be based on the hospital's net patient revenue, and will be used, in part, for certain Medicaid payments and the administration of the mandatory payments. Total mandatory payments plus state assessments cannot exceed 6% of the aggregate net patient revenue of all paying hospitals in the political subdivision. This bill only applies to political subdivisions in parishes that meet certain population requirements. Based on the 2010 census, the only parishes meeting these requirements are Grant, St. James, and West Baton Rouge. Information from Louisiana Department of Health shows that there is only one hospital in the three parishes on which the mandatory payment could be imposed. This hospital is located in St. James Parish.

Table with 7 columns: EXPENDITURES, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

Table with 7 columns: REVENUES, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

This bill may increase expenditures from self-generated revenues by approximately \$151,800, federal funds by \$262,275, and local funds by an unknown amount. (See page 2 for expenditure detail)

REVENUE EXPLANATION

This bill may increase self-generated revenues by approximately \$151,800, federal funds by \$262,275, and local funds by \$37,950.

An official with the affected hospital indicated that the net patient revenue for FY 2015 (latest revenue figure available) was about \$3.3 Million. An official with the Louisiana Department of Health (LDH) indicated that the current hospital assessment fee is about 0.25% of annual net patient revenues. Assuming that the maximum mandatory payment that may be imposed for all political subdivisions within St. James Parish combined is limited to 6%, then the mandatory payment will increase by 5.75% (6% ceiling - 0.25% current assessment fee), which may annually generate \$189,750 (\$3.3 million x 5.75%).

St. James Parish Sheriff's Office (Sheriff): The bill provides a collection fee for the sheriff. Current law (La. R.S. 13:5523) allows the sheriff to impose a 15% fee for collecting certain revenue. Assuming that the 15% fee is imposed, the sheriff's revenue may increase by \$28,462 (\$189,750 mandatory payment x 15% fee).

Political Subdivisions within St. James Parish: The bill allows political subdivisions to use up to 5% or \$20,000 to pay administrative expenses of the political subdivision for activities related to mandatory payments. Therefore, political subdivisions within the parish may see their combined revenue increase by \$9,488 (\$189,750 mandatory payment x 5% administrative fee).

Louisiana Department of Health (LDH): The bill provides that the mandatory payment revenue remaining after paying for collection and administrative expenses will be transferred to the state to provide the nonfederal share of Medicaid payments to hospitals in the political subdivision. Therefore, this bill may increase self-generated revenues by \$151,800 (\$189,750 mandatory payment - \$28,462 collection fee - \$9,488 administrative fee). Based on information obtained from LDH, the use of this self-generated revenue to augment Medicaid expenditures may increase federal fund revenue by \$262,275 using FY 2018 federal matching rates.

Senate Dual Referral Rules
[X] 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
[ ] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
[ ] 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
[ ] 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Signature of Michael G. Battle
Michael G. Battle
Manager, Advisory Services



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CONTINUED EXPLANATION from page one:
Expenditure Explanation (cont.):

Louisiana Department of Health (LDH): An official with LDH indicated that federal and self-generated expenditures may increase as revenue generated by this bill is expended as state match funds for the Medicaid Vendor Payment program.

St. James Parish Sheriff's Office (Sheriff): An official with the sheriff indicated that this bill is not expected to impact the expenditures of the sheriff's office as the extra collection duties will be absorbed by existing staff.

Political Subdivisions within St. James Parish: This bill allows political subdivisions within the parish to participate in the healthcare program. We spoke to an official with the parish government in order to determine potential expenditure impacts for these political subdivisions. This official indicated that parish government expenditures may increase by an unknown amount due to this bill. Such expenditures may include opening a bank account for the fund, audit costs for the fund, and Medicaid training for staff. This official indicated that expenditure increases may exceed the 5% administrative fee provided by the bill.

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[ ] 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
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