



**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**

Fiscal Note On: **HCR 2** HLS 201ES 19  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action: **w/ SEN COMM AMD**  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> June 26, 2020	8:43 AM	<b>Author:</b> SCHEXNAYDER
<b>Dept./Agy.:</b> LDH/Medicaid		<b>Analyst:</b> Shawn Hotstream
<b>Subject:</b> hospital stabilization formula		

HOSPITALS EG1 +\$104,004,420 SD RV See Note Page 1 of 1  
 Provides for a hospital stabilization formula (Item #12)

Proposed resolution provides for a hospital assessment. Proposed resolution provides the total assessment for year 2020-2021 shall net exceed the lesser of the following: 1) the state portion of the costs (non federal share) associated with Medicaid expansion that are directly attributable to payments to hospitals, excluding costs associated with Full Medicaid Pricing, supplemental payments and quality program payments: or 2) 1 percent or the total inpatient and outpatient hospital net patient revenue of all hospitals included in the assessment. Proposed resolution provides for new inpatient and outpatient rate increases beginning January 1, 2021. Inpatient hospital services and outpatient surgery services shall be increased by an amount equal to the value of the "Four-quarter Moving Average Percent Change of the CMS Market Basket Index for Inpatient Hospital for the second quarter of the federal fiscal year 2020-2021 as published by CMS on December 9, 2019. Proposed resolution provides LDH to submit any state plan amendment to CMS required to implement the resolution no later than 120 days from the date the resolution is adopted.

EXPENDITURES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$104,004,420	\$83,415,329	\$83,415,329	\$83,415,329	\$83,415,329	<b>\$437,665,736</b>
Federal Funds	\$381,429,417	\$171,521,495	\$171,521,495	\$171,521,495	\$171,521,495	<b>\$1,067,515,397</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$485,433,837</b>	<b>\$254,936,824</b>	<b>\$254,936,824</b>	<b>\$254,936,824</b>	<b>\$254,936,824</b>	<b>\$1,505,181,133</b>

  

REVENUES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$104,004,420	\$0	\$0	\$0	\$0	<b>\$104,004,420</b>
Federal Funds	\$381,429,417	\$0	\$0	\$0	\$0	<b>\$381,429,417</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$485,433,837</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$485,433,837</b>

**EXPENDITURE EXPLANATION**

The proposed resolution annualizes rate increases provided for in the FY 19 hospital assessment resolution (HCR 5), and further provides for additional inpatient rate increases for hospitals and outpatient surgery rate increases in FY 21. The new rate increases begin January 1, 2021 (6 month effect). The fiscal note assumes the rate increases remain in effect in future years and are not conditioned upon an assessment (reflected in expenditure table above for FY 21 through FY 25). Projections provided by LDH reflect the aggregate rate increases are estimated to cost approximately \$244 M (\$79 M state match) in FY 21, and \$254.9 M (\$83.4 M state match) in future fiscal years (annualized). The illustration below reflects the projected expenditure allocation of the FY 21 assessment revenue with associated federal matching funds.

Expenditure:	FY 20-21 Rate Increase	Funding for Medicaid Expansion costs	Total
Stat Ded.	\$79,871,703	\$24,132,717	\$104,004,420
Federal	\$164,234,968	\$217,194,449	\$381,429,417
<b>Total</b>	<b>\$244,106,671</b>	<b>\$241,327,166</b>	<b>\$485,433,837</b>

**REVENUE EXPLANATION**

Proposed resolution will generate approximately \$104 M in statutory dedication revenue in FY 21. The resolution provides that LDH shall calculate, levy, and collect a hospital provider assessment on certain hospitals. The annual assessment is calculated on the lesser of the following: 1) the state portion of the inpatient hospital costs associated with the Medicaid expansion (estimated to be \$125,967,874); or 2) 1% of the total inpatient and outpatient net patient revenues of all hospitals included in the assessment as reported in the Medicare cost report ending in state fiscal year 2015 (estimated to be \$113,459,367). Based on these projections, the assessment for FY 21 will be \$104 M, reflected as a statutory dedication revenue increase in the revenue table above. Only \$104 M of the \$113.4 M assessed is projected to be collected, as this measure appears to suspend the tax for certain hospitals (any hospital under 50 beds) for the first month of FY 21.

Note: A Senate Finance Committee amendment retroactively exempts certain hospitals (any hospital under 50 beds) from the hospital tax from January 1, 2020 through June, 2020 (exempt from 6 months of tax in FY 20), and for 1 month of tax in FY 21 (through July 31, 2021). The department has indicated the exclusion of these facilities may not comply with Centers for Medicare and Medicaid Services (CMS) rules that provides the application of the provider fee be broad based and uniform. The amendment is anticipated to impact the Medicaid budget both in FY 20 and FY 21. To the extent the assessment exclusion is invalidated by CMS, a reduction in tax revenues from January 1 to June 30 may impact the FY 20 Medicaid budget up to \$429 M (\$62 M tax revenues and \$367 M corresponding federal match), as the tax revenues have largely been collected and would have to be refunded to the providers. LDH would have to utilize other funds in FY 21 to offset the refunded tax receipts used in FY 20 for match, or pay back CMS the federal matching funds. In the event the retroactive exemption is allowed by CMS, LDH would be required to refund approximately \$5.5 M in tax revenues, and pay back over \$30 M in federal funds.

Senate	<u>Dual Referral Rules</u>	House
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*  


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**Evan Brasseaux**  
**Staff Director**