



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HCR 2** HLS 201ES 19
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: July 20, 2020	1:00 PM	Author: SCHEXNAYDER
Dept./Agy.: LDH/Medicaid		Analyst: Shawn Hotstream
Subject: hospital stabilization formula		

HOSPITALS EN +\$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 not 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 of 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 required to implement the resolution to CMS no later than 120 days from the date the resolution is adopted. Proposed law provides for temporary exemptions, subject to CMS approval.

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

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

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 which 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	FY 20/21 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
Total	\$244,106,671	\$241,327,166	\$485,433,837

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. Federal funds reflected above represent federal match.

Note: Hospitals under 50 beds are retroactively exempted 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 bill provides that the temporary tax exemption for certain hospitals is subject to Centers for Medicare and Medicaid Services approval. The exemption is anticipated to impact the Medicaid budget both in FY 20 and FY 21. To the extent the temporary tax exemption is approved by CMS, a reduction in tax revenues from January 1 to June 30 may impact the FY 20 Medicaid budget up to \$38 M (approximately \$5.5 M tax revenues and \$32.5 M corresponding federal match), as 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. The one month tax exemption (July 2020) would result in a loss of approximately \$1 M in hospital tax revenues anticipated in FY 21.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<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}

Christopher A. Keaton
Legislative Fiscal Officer