

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 51** HLS 16RS 1959

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action: **w/ SEN COMM AMD**

Proposed Amd.:

Sub. Bill For.:

Date: May 11, 2016	2:06 PM	Author: BARRAS
Dept./Agy.: DHH/Medicaid		Analyst: Shawn Hotstream
Subject: hospital stabilization formula		

HOSPITALS RE1 +\$22,003,442 SD RV See Note
Provides for a hospital stabilization formula

Page 1 of 2

Proposed resolution provides for a hospital assessment. Proposed law conditions the assessment on the following three provisions: 1) the assessment can not begin until January 1, 2017 (when the federal match from the Affordable Care Act falls below 100%); 2) DHH has submitted an assessment report to the Joint Legislative Committee on the Budget at least 30 days prior to the department submitting necessary documentation to the Centers for Medicare and Medicaid (CMS) for approval; and 3) the JLCB has not rejected the assessment report.

Proposed resolution provides the aggregate assessment amount will be the lesser of the following: 1) the state cost (non federal share) associated with hospital payments for the Medicaid expansion populations; or 2) 1% of the total inpatient and outpatient hospital net patient revenue for only the hospitals included in the assessment.

Proposed resolution provides for DHH reporting requirements and provides for certain hospitals excluded from the assessment.

Proposed resolution provides for hospital rate increases for certain hospitals beginning January 1, 2017. Proposed resolution provides that the Hospital Stabilization Assessment and reimbursement enhancements in this resolution shall only be effective until July 1, 2019.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$9,550,392	\$19,100,784	\$19,100,784	SEE BELOW	SEE BELOW	\$47,751,960
Federal Funds	\$15,755,363	\$31,510,726	\$31,510,726	SEE BELOW	SEE BELOW	\$78,776,815
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$25,305,755	\$50,611,510	\$50,611,510			\$126,528,775

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$22,003,442	\$56,357,050	\$76,811,869	SEE BELOW	SEE BELOW	\$155,172,361
Federal Funds	\$252,363,313	\$671,641,117	\$861,662,490	SEE BELOW	SEE BELOW	\$1,785,666,920
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$274,366,755	\$727,998,167	\$938,474,359			\$1,940,839,281

EXPENDITURE EXPLANATION

Proposed resolution provides for rate increases for certain hospitals beginning January 1, 2017, conditioned upon a hospital assessment. The rate increase is effective through July 1, 2019. The amount of rate increase by specific hospital is based on a restoration of inpatient and outpatient reimbursement rates to the level in effect on December 31, 2010, or June 30, 2013, whichever is greater. Financial reports provided by the Department of Health and Hospitals indicate the aggregate rate increase based on this resolution is estimated to cost approximately \$25,305,755 M (\$9,550,392 state match) in FY 17, which represents 6 months of rate increases. The cost of rate increases in future years are estimated to be approximately \$50 M annually. A portion of the assessment is anticipated to be utilized for the state match associated with the rate increases. Projected rate increases as a result of this resolution are reflected in the expenditure table above.

Projected Rate Increase

FY 17	FY 18	FY 19
\$25.3 M (\$9.5 M state match)	\$50.6 M (\$19.1 M state match)	\$50.6 M (\$19.1 M state match)

Note: Rate increases are not reflected beyond FY 19 as future resolutions must be filed and passed annually by the legislature. See page 2

REVENUE EXPLANATION

Proposed resolution provides that DHH shall calculate, levy, and collect a hospital provider assessment for certain hospitals in FY 17 conditioned upon Medicaid expansion, and state/federal approval. Rural hospitals are exempt from the assessment. The assessment shall be equal to the lesser of the following: 1) the state portion of Medicaid expansion costs directly attributable to hospital payments (estimated \$22,003,442 in FY 17, \$56,357,050 M in FY 18, and \$76,811,869 in FY 19); or 2) 1% of the total net patient revenue (NPR) of all hospitals included in the assessment as reported in the Medicare cost report ending in State fiscal year 2015 (estimated to be \$96,690,562 in FY 17). Based on estimates, the assessment in FY 17 will be equal to the state portion of the hospital related cost of expansion, which is anticipated to generate approximately \$22 M in revenue. The revenue can be used to draw federal matching funds that will be used partially for hospital rate increases and for partially offsetting the cost of hospital related costs of expansion.

Note: Revenue is not reflected beyond FY 19 as future resolutions must be filed and passed annually by the legislature.

<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}	

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CONTINUED EXPLANATION from page one:

Expenditure explanation: continued

Projected expenditure allocation of FY 17 assessment revenue:

Expenditure:	FY 17 Rate Increase	FY 17 partial funding of hosp. costs of expansion	Total
Stat Ded	\$9,550,392	\$12,453,050	\$22,003,442
Federal	<u>\$15,755,363</u>	<u>\$236,607,950</u>	<u>\$252,363,313</u>
Total	\$25,305,755	\$249,061,000	\$274,366,755

	FY 18 Rate Increase	FY 18 partial funding of hosp. costs of expansion	Total
Stat Ded	\$19,100,784	\$37,256,266	\$56,357,050
Federal	<u>\$31,510,726</u>	<u>\$640,130,391</u>	<u>\$671,641,117</u>
Total	\$50,611,510	\$677,386,657	\$727,998,167

	FY 19 Rate Increase	FY 19 partial funding of hosp. costs of expansion	Total
Stat Ded	\$19,100,784	\$57,711,085	\$76,811,869
Federal	<u>\$31,510,726</u>	<u>\$830,151,764</u>	<u>\$861,662,490</u>
Total	\$50,611,510	\$887,862,849	\$938,474,359

The assessment revenue for FY 17 is projected to total \$22,003,442, and is assumed to be used as state match for both rate increases to hospital providers and to partially offset the hospital related cost of Medicaid expansion.

DHH anticipates an additional Program Monitor position (\$60 K salary, \$30 K related benefits) is required to maintain Medicare cost reporting, calculating assessments, filing quarterly rules with the Louisiana Register, and generating reports required under this resolution.

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|--|----------------------------|--|
| <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} |

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