

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



Fiscal Note On: **HB 835** HLS 20RS 1302  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 14, 2020	1:22 PM	<b>Author:</b> MCMAHEN
<b>Dept./Agy.:</b> LDH/Medicaid		<b>Analyst:</b> Shawn Hotstream
<b>Subject:</b> hospital assessment		

MEDICAID EG INCREASE LF RV See Note Page 1 of 1

Authorizes local hospital assessments in certain parishes to fund the nonfederal share of Medicaid costs of health care provided in those parishes

Proposed law provides for a local hospital assessment on certain hospitals in select parishes. Proposed law creates a local healthcare provider participation program for a parish to deposit in a local fund revenues generated from the assessment. Proposed law provides for the purpose of the assessment revenues, including that monies in the provider participation fund may be used by a parish to fund intergovernmental transfers (IGT's) from the parish to the state (Louisiana Department of Health) to use as a match source (state share) to increase rates to certain hospitals.

<b>EXPENDITURES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$2,528,260	\$2,578,825	\$2,630,401	\$2,683,009	\$2,736,669	<b>\$13,157,164</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$5,198,695	\$5,302,669	\$5,408,722	\$5,516,897	\$5,627,235	<b>\$27,054,218</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u><b>\$0</b></u>
<b>Annual Total</b>						

  

<b>REVENUES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Medicaid payments to certain hospitals are anticipated to increase as a result of this measure. The bill authorizes the use of new local taxes for Intergovernmental Transfer (IGT) financing to provide rate increases to certain rural institutional hospital providers and rural health clinics affiliated with such hospitals. Specific hospitals will be reimbursed at a rate up to 110% of their costs of providing hospital inpatient and outpatient services, including but not limited to services provided in a rural health clinic licensed as part of a rural hospital. Information provided by LDH indicates no hospitals currently qualify for enhanced payments based on the bed count requirement under this measure. However, LDH anticipates 2 hospitals (Savoy and Mercy) and 2 hospital affiliated rural health clinics could meet the bed requirements if downsized. To the extent such hospitals meet the bed requirements, these providers would receive approximately \$7.7 M in Medicaid reimbursement in FY 21, and approximately \$8 M annually in future years. This projection is based on the assumptions and calculations reflected below.

- 1) Utilized "Filed Cost Reports" from 2018 for affected hospitals and rural health clinics (reflects cost of providing services)
- 2) Inflated costs reflected on the cost reports by 10% for both inpatient and outpatient costs
- 3) Net actual payments to the providers for designated time period against inflated (110%) provider costs  
Actual payments include claims reimbursement, fee schedule reimbursement, and cost settlements for time period
- 4) 2% inflation factor added annually

**2 hospitals and assoc. rural health clinics**

Actual payments	\$12,676,713
Estimated cost @ 110%	<u>\$20,403,668</u>
FY 21 projected additional payments	<u>\$7,726,955</u>

Note: The legislation is not clear as to the level of local revenues that will be levied and collected by the parishes. To the extent the local tax revenues generated are not sufficient to finance the state effort (match provided through IGT's) to draw the federal matching funds to meet the 110% enhanced payment requirement, State General Fund or other match source will be required. In addition, to the extent the number of affiliated rural health clinics open or additional hospitals meet the qualifications under this measure, projected costs reflected above are anticipated to increase.

**REVENUE EXPLANATION**

This measure authorizes local taxation in certain parishes for the purpose of providing a state match source for the Medicaid program to use to increase Medicaid payments to certain hospitals. The rate or amount of the hospital assessment is not specified in the bill, and is set by the parish that collects the actual assessment, subject to a maximum payment amount annually (tax can not exceed 6% of the aggregate net patient revenue of all paying hospitals in the respective parish). Note: In addition, it is not clear if this tax measure meets the "uniform and broad based" healthcare related tax requirements under federal code (42 CFR 433.68).

<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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