

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 2** HLS 201ES 19

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 9, 2020	5:47 PM	Author: SCHEXNAYDER
Dept./Agy.: LDH/Medicaid		Analyst: Shawn Hotstream
Subject: hospital stabilization formula		

HOSPITALS EG +\$113,459,367 SD RV See Note
Provides for a hospital stabilization formula (Item #12)

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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	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	\$113,459,367	\$83,415,329	\$83,415,329	\$83,415,329	\$83,415,329	\$447,120,683
Federal Funds	\$466,523,942	\$171,521,495	\$171,521,495	\$171,521,495	\$171,521,495	\$1,152,609,922
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$579,983,309	\$254,936,824	\$254,936,824	\$254,936,824	\$254,936,824	\$1,599,730,605

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	\$113,459,367	\$0	\$0	\$0	\$0	\$113,459,367
Federal Funds	\$466,523,942	\$0	\$0	\$0	\$0	\$466,523,942
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$579,983,309	\$0	\$0	\$0	\$0	\$579,983,309

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	\$33,587,664	\$113,459,367
Federal	\$164,234,968	\$302,288,974	\$466,523,942
Total	\$244,106,671	\$335,876,638	\$579,983,309

REVENUE EXPLANATION

Proposed resolution will generate approximately \$113.5 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 \$113.5 M, reflected as a statutory dedication revenue increase in the revenue table above. Revenue is not reflected beyond FY 21 as future resolutions must be filed and passed annually by the legislature to generate additional assessment revenue.

The Statutory Dedication revenue generated from this measure (\$113,459,367) will be used to draw federal matching funds (\$466,523,942) for both inpatient and outpatient rate increases and for a portion of Medicaid expansion costs in FY 21.

Senate	Dual Referral Rules	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}

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