

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 532** HLS 13RS 881

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 18, 2013	10:38 AM	Author: KLECKLEY
Dept./Agy.: DHH		Analyst: Shawn Hotstream
Subject: Hospital Medicaid funding		

FUNDS/FUNDING EG INCREASE SD RV See Note Page 1 of 2

(Constitutional Amendment) Provides for a hospital stabilization formula and assessment and creates the Hospital Stabilization Fund and provides for uses of the fund

Proposed constitutional amendment creates the Hospital Stabilization Fund in the Treasury.

Proposed constitutional amendment creates an annual Hospital Stabilization Formula that first establishes a base level of payment to hospitals for inpatient and outpatient services, and then requires that each annual formula established shall apply a rate of inflation (which shall not be a negative rate) from the previous formula adopted by the legislature. The legislature may annually adopt the formula by concurrent resolution by a favorable vote of a majority of the elected members of each house, and will be referred to the standing committees that receive the appropriations bill. Proposed constitutional amendment further establishes an assessment to be paid by hospitals. The base rate shall not be paid from the Hospital Stabilization Fund. Proposed amendment also provides that such assessments may be returned under certain conditions. The legislature shall annually appropriate the balance of the Hospital Stabilization Fund for rate enhancements.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

Proposed constitutional amendment establishes a hospital Medicaid reimbursement formula, implements an annual hospital provider assessment through the formula, requires revenues generated from such assessment to be deposited in a newly created Hospital Stabilization Fund (constitutional fund) in the Treasury, and establishes reimbursement rate enhancements for Medicaid claims and uncompensated care costs. The first formula requires approval of two-thirds of the elected members of each house each year by concurrent resolution. Recurring formulas may be adopted by a favorable vote of a majority of the elected members of each house.

Any additional Medicaid payments paid to hospitals over an established base annually is indeterminable, and will depend on the actual revenues generated through the annual assessment and most recent Hospital Stabilization Formula adopted by the legislature. The revenues generated from the hospital assessment are anticipated to be used as a state match source for the purposes of drawing federal match and making Medicaid claims and Disproportionate Share Hospital (DSH) payments over some base rate. The base rate is anticipated to represent a payment level, and will be calculated in the first formula, and based on payments for inpatient and outpatient hospital services in FY 12/13. The base rate will not be paid from the Hospital Stabilization Fund. It is unclear from the proposed bill if all inpatient hospitals are eligible, however the bill provides that the formula shall also provide for the preservation and protection of rural hospitals. **See page 2**

REVENUE EXPLANATION

Proposed law establishes the Hospital Stabilization Fund in the state treasury. Revenues deposited into the fund include all proceeds from the assessment on hospital providers. The amount of revenues generated on an annual basis is indeterminable, and the assessment will be based on a formula that will be annually determined by the legislature for the specific fiscal year in which the assessment is collected.

Note: Under certain conditions, the revenues collected and deposited into the fund may be returned to participating hospitals that were assessed a fee. Returned proceeds will result if any year end balances remain in the fund, if the legislature fails to adopt a formula, or DHH does not pay rate enhancements established in the current formula annually adopted 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) >= \$500,000 Annual Fiscal Cost {S}
<input 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

Additionally, the measure provides limitations relative to future provider rate cuts, specifically by eliminating the ability to make targeted cuts to hospital providers. The governor may only cut the established base rate if a reduction is consented to in writing by two-thirds of the elected members of each house, and the reduction does not exceed the average reduction of those made to appropriations applied to other Medicaid providers.


The proposed bill provides for a constitutional amendment to be submitted to voters at the November 4, 2014 election. The November 4, 2014 election is a statewide election, when all precincts in the state are scheduled to be opened. As a regular practice, the Secretary of State budgets for up to 10 constitutional amendments for the fall statewide elections.

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) >= \$500,000 Annual Fiscal Cost {S} |
| <input 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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