

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

REVISED

Date: April 25, 2016	2:52 PM	Author: BARRAS
Dept./Agy.: DHH/Medicaid		Analyst: Shawn Hotstream
Subject: hospital stabilization formula		

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

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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.

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	\$19,100,784	\$19,100,784	\$85,953,528
Federal Funds	\$15,755,363	\$31,510,726	\$31,510,726	\$31,510,726	\$31,510,726	\$141,798,267
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$25,305,755	\$50,611,510	\$50,611,510	\$50,611,510	\$50,611,510	\$227,751,795

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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$22,003,442
Federal Funds	\$252,363,313	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$252,363,313
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$274,366,755					\$274,366,755

EXPENDITURE EXPLANATION

Proposed resolution provides for rate increases for certain hospitals beginning January 1, 2017, conditioned upon a hospital assessment. It is not clear if the rate increase is recurring. 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. Out year costs related to rate increases are estimated to total approximately \$50.6 M (\$19.1 M state match) at a minimum. Projected rate increases as a result of this resolution are reflected in the expenditure table above.

Projected Rate Increase	
FY 17	Future fiscal years
\$25.3 M (\$9.5 M SGF)	\$50.6 M (\$19.1 M SGF)

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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. 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); 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 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 17 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 checked="" 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}	

John D. Carpenter
Legislative Fiscal Officer

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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

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. To the extent these assessment revenues would be entirely used for hospital related cost of expansion in FY 17, another means of finance would be required to fund the state match associated with hospital rate increases provided for in this resolution.

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.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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