

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1029** HLS 16RS 2212
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 26, 2016	3:45 PM	Author: MONTOUCET
Dept./Agy.: DHH/Medicaid		Analyst: Shawn Hotstream
Subject: Provider Fee		

MEDICAID OR +\$63,212,311 SD RV See Note Page 1 of 1
 Authorizes the assessment of a provider fee on Medicaid managed care organizations

Proposed law authorizes DHH to impose fees for healthcare services provided by Medicaid managed care organizations.

Proposed law provides that the amount of the fee shall not exceed the maximum amount permitted by federal Medicaid regulations.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						
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	\$63,212,311	\$126,424,622	\$126,424,622	\$126,424,622	\$126,424,622	\$568,910,799
Federal Funds	\$104,281,889	\$208,563,777	\$208,563,777	\$208,563,777	\$208,563,777	\$938,536,997
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$167,494,200	\$334,988,399	\$334,988,399	\$334,988,399	\$334,988,399	\$1,507,447,796

EXPENDITURE EXPLANATION

In current practice, DHH reimburses the health plans the amount of the tax currently assessed (2.25%) to offset the cost of the tax to the plans. To the extent DHH continues this current practice for the additional 3.75% assessment, the department would reimburse the plans approximately \$63 M in FY 17.

REVENUE EXPLANATION

Currently, DHH collects a 2.25% provider fee on Medicaid Managed Care Organizations (MCO's). This measure increases the fee by 3.75% (to 6%) annually. Based on the CY 15 premium tax liability for the MCO plans, increasing the MCO provider fee is anticipated to generate approximately \$63,212,311 in statutory dedication revenue in FY 17. The fee is anticipated to be deposited into the Medical Assistance Trust Fund (MATF) in the treasury. The fee will be utilized to draw federal financial participation. Based on the effective federal medical assistance percentage (FMAP) for FY 17, estimated federal matching funds for FY 17 total \$104,281,888. Future year revenues are projected to be higher as the FY 17 projection only contemplates 6 months of assessment (as premium taxes are based on a calendar year). See revenue table above.

Note: In current practice, DHH currently reimburses the health plans the amount of the fee currently assessed (2.25%) to offset the cost of the tax to the plans. To the extent DHH continues this current practice for the additional 3.75% assessment, the department would essentially net the federal matching funds only.

In order for states to claim federal matching funds from provider tax revenue, the tax must meet certain federal guidelines, including specific broad based and uniform provisions. The provider tax must be imposed on all providers within a specific class of providers (managed care) and uniform (the same tax for all providers within a specified class of providers). As a result of this measure carving out Medicaid managed care organizations only being subject to the 6% tax (and excluding non medicaid managed care companies), the broad based and uniform federal requirement is not assumed to be met. This proposed provider tax will require Centers for Medicaid and Medicare (CMS) approval.

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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Legislative Fiscal Officer