

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HCR 6** HLS 18RS 819

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 16, 2018 3:59 PM	Author: BARRAS
Dept./Agy.: LDH/Medicaid	Analyst: Shawn Hotstream
Subject: hospital stabilization formula	

HOSPITALS OR +\$69,495,364 SD RV See Note
Provides for a hospital stabilization formula

Proposed resolution provides for a hospital assessment. Proposed resolution provides the total assessment for the fiscal year 2018-2019 shall not exceed the lesser of the following: 1) the state portion of the cost (non-federal share) associated with hospital payments for the Medicaid expansion populations, excluding Full Medicaid Pricing payments; or 2) 1% of the total inpatient and outpatient hospital net patient revenue of all hospitals included in the assessment.

Proposed resolution provides for outpatient reimbursement rate increases. Proposed law maintains/annualizes the hospital reimbursement rates in effect for dates of service on or after January 1, 2018 (rate increase provided for in 2018 hospital HCR 8). Additionally, for dates of service on or after January 1, 2019 (6 months of FY 18) this measure provides additional outpatient reimbursement rate increases to the level of rates in effect on June 30, 2009.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$69,495,364	\$53,534,199	\$53,534,199	\$53,534,199	\$53,534,199	\$283,632,160
Federal Funds	\$399,611,404	\$97,991,979	\$97,991,979	\$97,991,979	\$97,991,979	\$791,579,320
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$469,106,768	\$151,526,178	\$151,526,178	\$151,526,178	\$151,526,178	\$1,075,211,480

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$69,495,364	\$0	\$0	\$0	\$0	\$69,495,364
Federal Funds	\$399,611,404	\$0	\$0	\$0	\$0	\$399,611,404
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$469,106,768	\$0	\$0	\$0	\$0	\$469,106,768

EXPENDITURE EXPLANATION

The proposed resolution annualizes the rate increases provided for in the FY 18 hospital resolution (HCR 8), and further provides for additional rate increases for outpatient services in FY 19. The additional outpatient reimbursement rate increases begin January 1, 2019 (6 month effect). It is not clear if the rate increases are recurring. The fiscal note assumes the rate increases remain in effect in future years and are not conditioned upon an annual assessment. Projections provided by LDH reflect the aggregate rate increase from this resolution is estimated to cost approximately \$135,287,630 (\$47.7 M state match) in FY 19, and \$151.5 M (\$53.5 M state match) in future fiscal years. The state match utilized for these additional rate increases is the assessment revenue (statutory dedication) generated through this measure.

Projected rate increase:

<u>FY 19</u> \$135.2 M (\$47.7 M state match)	<u>Future fiscal years</u> (assuming future resolutions not modified) \$151.5 M (\$53.5 M state match)
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Note: See illustration on page two relative to the allocation of the FY 19 hospital assessment revenues between rate increases and the cost of Medicaid expansion.

REVENUE EXPLANATION

Proposed resolution provides that LDH shall calculate, levy, and collect a hospital provider assessment for certain hospitals. The assessment shall be equal to, but not exceed, the lesser of the following 1) the state portion of the cost (non-federal share) of Medicaid expansion directly attributable to hospitals (projected to be \$69,495,364 in FY 19), excluding Full Medicaid Pricing payments; or 2) 1% of the total inpatient and outpatient hospital net patient revenue of all hospitals included in the assessment (estimated to be \$113.4 M in FY 19). Based on these projections, the assessment will be based on the state portion of the hospital related cost of Medicaid expansion (reflected as Statutory Dedication in the revenue table above). Revenue is not reflected beyond FY 18 as future resolutions must be filed and passed annually by the legislature to generate additional assessment revenue.

The \$69.4 M in revenue generated from this measure in FY 19 will be used to draw federal matching funds. Approximately \$47.7 M will be utilized as a state match source for hospital and outpatient reimbursement rate increases, and \$21.7 M will be used as a state match source to partially cover the hospital related costs of Medicaid expansion.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

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

The illustration below reflects the projected expenditure allocation of the FY 19 assessment revenue with federal matching funds:

Expenditure:	<u>FY 19 Rate Increase</u>	<u>Partial funding for Medicaid Expansion costs</u>	<u>TOTAL</u>
Stat Ded.	\$47,797,120	\$21,698,244	\$69,495,364
Federal	<u>\$87,490,510</u>	<u>\$312,120,894</u>	<u>\$399,611,404</u>
Total	\$135,287,630	\$333,819,138	\$469,106,768

In the years beyond FY 19, the expenditure table reflects annualized rate increase expenditures, which are assumed to be funded with hospital assessment revenue (subject to annual approval by the legislature of future hospital resolutions).

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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