

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



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

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 8, 2018	5:28 PM	<b>Author:</b> BARRAS
<b>Dept./Agy.:</b> LDH/Medicaid		<b>Analyst:</b> Shawn Hotstream
<b>Subject:</b> hospital stabilization formula		

HOSPITALS RE +\$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 or September 30, 2009.

Proposed law provides for exemptions.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$69,495,364	\$54,092,600	\$54,092,600	\$54,092,600	\$54,092,600	<b>\$285,865,764</b>
Federal Funds	\$396,106,271	\$99,014,109	\$99,014,109	\$99,014,109	\$99,014,109	<b>\$792,162,707</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$465,601,635</b>	<b>\$153,106,709</b>	<b>\$153,106,709</b>	<b>\$153,106,709</b>	<b>\$153,106,709</b>	<b>\$1,078,028,471</b>

  

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$69,495,364	\$0	\$0	\$0	\$0	<b>\$69,495,364</b>
Federal Funds	\$396,106,271	\$0	\$0	\$0	\$0	<b>\$396,106,271</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$465,601,635</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$465,601,635</b>

**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 \$136,077,897 (\$48.1 M state match) in FY 19, and \$153.1 M (\$54.1 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> \$136.1 M (\$48.1 M state match)	<u>Future fiscal years</u> (assuming future resolutions not modified) \$153.1 M (\$54.1 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 19 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 \$48.1 M will be utilized as a state match source for hospital and outpatient reimbursement rate increases, and \$21.4 M will be used as a state match source to partially cover the hospital related costs of Medicaid expansion.

Note: The House adopted a floor amendment which exempts certain licensed facilities from the assessment. This exemption will require CMS approval. Information provided by LDH indicates one hospital will be exempt from the assessment under this provision. Total revenues generated under this measure are not anticipated to be reduced as a result of this exemption based on the assessment formula. However, the pro rata amount that would be assessed to this facility will be spread to other hospitals not exempt from the assessment.

<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)(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:

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

Table with 4 columns: Expenditure, FY 19 Rate Increase, Partial funding for Medicaid Expansion costs, TOTAL. Rows include Stat Ded., Federal, and Total.

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

Signature of John D. Carpenter
John D. Carpenter
Legislative Fiscal Officer