

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 282** SLS 16RS 332

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 25, 2016 2:59 PM	Author: APPEL
Dept./Agy.: DHH & LSU Health Care Services Division	Analyst: Willis Brewer
Subject: Relative to medically indigent definition	

LSU SYSTEM OR DECREASE GF EX See Note
Provides relative to the definition of medically indigent.

Proposed law redefines "medically indigent" as any person whose income is below 138% (currently 200%) of federal poverty level and is uninsured.

Proposed law redefines "medically indigent" section of law for LSU Health Sciences Center - Health Care Services Division.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	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.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
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

This legislation will redefine medically indigent from 200% of the Federal Poverty Level (FPL) to 138% of the FPL as it relates to the provision of healthcare provided by the LSU Health Sciences Center - Health Care Services Division affiliated hospitals. This measure could result in the reduction in Disproportionate Share (DSH) reimbursement payments to LSU affiliated hospital partners and Lallie Kemp by limiting DSH hospital cost reimbursement from DHH for cost of care of uninsured individuals that fall between 138% and 200% of the FPL.

However, there are four Medicaid State Plan Amendments (SPA) that govern how DHH will reimburse Disproportionate Share (DSH) payments to these LSU affiliated hospitals. SPA 14-25, approved on 12/23/2014, governs DSH payments for six of the private partners including Children Hospital (New Orleans), Biomedical Research Foundation (Shreveport/Monroe), Southwest Louisiana Hospital Association (Lake Charles), Lafayette General Hospital System (Lafayette), and Our Lady of Angels (Bogalusa). Our Lady of the Lake (Baton Rouge) does not receive DSH reimbursements. SPA 10-26, approved on 1/21/2010, governs DSH payments for CHRISTUS and Rapides Healthcare System (Alexandria). SPA 14-12, approved on 3/30/2014, governs Southern Regional Medical Corporation (Houma). SPA 11-18, approved on 9/23/2011, governs Lallie Kemp Medical Center, the state's remaining public hospital.

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REVENUE EXPLANATION

To the extent this measure lowers the DSH reimbursements to LSU hospitals, there will be savings for DHH from the reduction of DSH payments. LSU affiliated hospitals could attempt to recover part of the loss in DSH revenue as a result of these patients' cost not being covered with DSH reimbursement by attempting to collect patient self-pay. DHH anticipates 10% of these payments may be collected based on historical self-pay of uninsured. Therefore, it is anticipated that \$13.6 million (\$5.1 SGF/\$8.5 Federal) in fees and self-generated revenue may be collected by these hospitals.

Senate Dual Referral Rules House

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|---|--|
| <input 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 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:

Each of these qualifying hospitals are paid DSH reimbursement payments equal to 100% of allowable hospital specific uncompensated care (UCC) costs subject to the Appropriations Act. It is unclear whether this redefinition of medically indigent overrules the SPA that governs DSH payments to these LSU affiliated hospitals and that these LSU affiliated hospitals will no longer receive DSH reimbursements for the uninsured that are above the 138% FPL. To the extent the reimbursement model under the current SPAs provide payments for uninsured individuals beyond 138% FPL this measure could require DHH to amend these SPAs in order to incorporate this limited coverage provision.

To the extent this measure denies DSH payments to uninsured above the 138% FPL, there is anticipated to be significant reductions in DSH reimbursements to LSU affiliated hospitals. For illustrative purposes, based on US Census data, roughly 25% of the uninsured individuals in Louisiana fall within the 139-200% above FPL range. FY 2016 DSH budget for the LSU affiliated hospitals is nearly \$906 million of which nearly 60% of these DSH payments is for uninsured costs (the other costs are to cover the Medicaid shortfall). Therefore, using these broad estimates, in this example there could be roughly a \$136 million reduction in DSH payments, \$51 million of this SGF, that would no longer be reimbursed. This savings amount in the illustration is likely overstated because DSH reimbursement not only covers the cost of providing services to the uninsured but covers Medicaid reimbursement costs not covered through Medicaid reimbursements, and does not contain projected DSH reductions associated with Medicaid expansion.

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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