



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

Fiscal Note On: **HB 453** HLS 21RS 897  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

|                                 |         |                                 |
|---------------------------------|---------|---------------------------------|
| <b>Date:</b> May 12, 2021       | 8:53 AM | <b>Author:</b> DESHOTEL         |
| <b>Dept./Agy.:</b> LDH/Medicaid |         |                                 |
| <b>Subject:</b> IGT             |         | <b>Analyst:</b> Shawn Hotstream |

MEDICAID EG INCREASE LF RV See Note Page 1 of 1  
 Provides relative to a program of hospital assessments and intergovernmental transfers for health services financing

Proposed law authorizes a local hospital assessment on certain hospitals in select parishes. Proposed law provides that governing bodies of certain parishes may establish a local provider participation program to deposit local fund revenues generated from the assessment. Governing bodies of certain parishes can create one or more hospital assessment districts within the respective parishes, or, with agreement among governing bodies of parishes concerned, to combine 2 or more parishes into a single hospital assessment district. Proposed law provides for the purpose of the assessment revenues, including that monies in the provider participation fund may be used by a parish to fund intergovernmental transfers (IGT's) from the parish to the state (Louisiana Department of Health) to use a state match source (state share) to increase rates to certain hospitals. The rate equals or approximates the lesser of the rural institutional provider's average commercial rate (ACR) as determined by the state's Medicaid actuary or 110% (but not less than 100%) of the reasonable cost of providing inpatient and outpatient hospital services.

| <b>EXPENDITURES</b> | <b>2021-22</b>      | <b>2022-23</b>      | <b>2023-24</b>      | <b>2024-25</b>      | <b>2025-26</b>      | <b>5 -YEAR TOTAL</b> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| State Gen. Fd.      | \$5,000             | \$5,000             | \$5,000             | \$5,000             | \$5,000             | <b>\$25,000</b>      |
| Agy. Self-Gen.      | \$4,060,623         | \$4,584,126         | \$4,675,809         | \$4,769,326         | \$4,864,711         | <b>\$22,954,595</b>  |
| Ded./Other          | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | <b>\$0</b>           |
| Federal Funds       | \$9,932,056         | \$9,688,306         | \$9,881,973         | \$10,079,512        | \$10,281,002        | <b>\$49,862,849</b>  |
| Local Funds         | \$0                 | \$0                 | \$0                 | \$0                 | \$0                 | <b>\$0</b>           |
| <b>Annual Total</b> | <b>\$13,997,679</b> | <b>\$14,277,432</b> | <b>\$14,562,782</b> | <b>\$14,853,838</b> | <b>\$15,150,713</b> | <b>\$72,842,444</b>  |

  

| <b>REVENUES</b>     | <b>2021-22</b> | <b>2022-23</b> | <b>2023-24</b> | <b>2024-25</b> | <b>2025-26</b> | <b>5 -YEAR TOTAL</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Agy. Self-Gen.      | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Ded./Other          | SEE BELOW      |                      |
| Federal Funds       | \$0            | \$0            | \$0            | \$0            | \$0            | <b>\$0</b>           |
| Local Funds         | INCREASE       | INCREASE       | INCREASE       | INCREASE       | INCREASE       |                      |
| <b>Annual Total</b> |                |                |                |                |                |                      |

**EXPENDITURE EXPLANATION**

Medicaid payments to certain hospitals are anticipated to increase as a result of this measure. The bill authorizes the use of new local taxes for Intergovernmental Transfer (IGT) financing to provide rate increases to certain rural institutional hospital providers (as defined in the bill). Certain hospitals will be reimbursed at a rate which equals the lesser of the rural institutional providers average commercial rate (ACR) or up to 110% of their appropriate reasonable costs of providing hospital inpatient and outpatient services. Information provided by LDH indicates 2 hospitals (Minden Medical Center and Northern Louisiana Medical Center) could qualify, and would receive approximately \$13.9 M in Medicaid reimbursement in FY 22, and over \$14 M annually in future years. This projection is based on the assumptions and calculations reflected below.

- 1) Utilized most current filed cost reports from the 2 hospitals.
- 2) Inflated costs reflected in the cost reports by 10% for both inpatient and outpatient services.
- 3) Net actual payments to the providers for designated time period against inflated (110%) provider costs.
- 4) To the extent ACR is lesser of calculation that determines payment amt., reimbursements reflected below would be less
- 5) \$10,000 in contract cost annually to determine average commercial rate
- 6) 2% inflation factor added annually.

**2 hospitals (Minden Medical and Northern Louisiana Medical)**

|                                     |              |
|-------------------------------------|--------------|
| Actual payments                     | \$13,873,536 |
| Estimated cost @ 110%               | \$27,861,215 |
| FY 22 projected additional payments | \$13,987,679 |

**REVENUE EXPLANATION**

This measure authorizes local taxation for the purpose of providing a state match source for the Medicaid program to use as match to increase Medicaid payments to certain hospitals. The rate or amount of the hospital assessment is not specified in the bill, and is set by the parish that collects the actual assessment. However, the legislation requires the tax revenues generated to be sufficient to finance the state effort (match provided through IGT's) to draw the federal matching funds to provide the enhanced rate. In addition, to the extent any of these expenditures are made through managed care, approximately 5.5% in premium taxes would be collected and paid into the Medical Assistance Trust Fund (MATF stat ded).

|  |                            |  |
|--|----------------------------|--|
| <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} |

  
**Alan M. Boxberger**  
 Staff Director