



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 1185** HLS 26RS 2602
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 14, 2026 8:29 AM **Author:** MILLER, D.
Dept./Agy.: Louisiana Department of Health/Medicaid **Analyst:** Anthony Shamis
Subject: Other rural hospital reimb. payments and directed

MEDICAID OR +\$6,691,832 GF EX See Note Page 1 of 2
 Provides for other rural hospital reimbursement payments and directed payments

Proposed law creates the Preservation Act for Other Rural Hospitals, establishes relevant definitions, and provides for reimbursement methodologies and directed payment mechanisms applicable to such hospitals. Further, the proposed law authorizes rulemaking and outlines administrative responsibilities of the Louisiana Department of Health (LDH), provides for applicability, provides for an effective date, and provides for related matters. Proposed law requires LDH to promulgate rules in accordance with the Administrative Procedure Act (APA) and specified criteria to allow other rural hospitals to certify public expenditures as eligible for federal financial participation (FFP) under Medicaid. The proposed law further requires LDH to maximize Medicaid reimbursement funding for services rendered by other rural hospitals at levels comparable to rural hospitals and to permit certification of intergovernmental transfers (IGT) as state match, to increase access to health care for Medicaid and LaCHIP beneficiaries and indigent individuals. The new payment methodology shall apply to services provided on or after July 1, 2026, or as soon thereafter as permitted by federal law. Proposed law requires LDH to promulgate rules to implement the reimbursement methodologies and to submit an emergency state plan amendment (SPA) to the Centers for Medicare and Medicaid Services (CMS) for approval no later than 120 days after August 15, 2026. Proposed law requires annual funding for other rural hospitals to be subject to a separate annual legislative appropriation and prohibits such funding from being derived from any current or future reimbursement pool, program, or other funding mechanism for other rural hospitals. Proposed law becomes effective upon signature of the governor, or after the lapse of time for gubernatorial action.

EXPENDITURES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$6,691,832	\$6,791,093	\$7,009,355	\$7,234,632	\$7,467,151	\$35,194,063
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$557,553	\$1,359,594	\$1,403,214	\$1,448,234	\$1,494,698	\$6,263,293
Federal Funds	\$15,447,501	\$17,368,058	\$17,926,094	\$18,502,062	\$19,096,539	\$88,340,254
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total

REVENUES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$557,553	\$1,359,694	\$1,403,214	\$1,448,234	\$1,494,698	\$6,263,393
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

Annual Total

EXPENDITURE EXPLANATION

Proposed law is anticipated to result in a \$22.7 M (\$6.7 M SGF; \$557,553 Stat. Ded.; \$15.4 M Federal) increase in Medicaid expenditures in FY 27 for LDH. These expenditures are expected to grow in subsequent fiscal years. The increased expenditures provide for other rural hospital reimbursement payments and directed payments. Statutory Dedications are premium tax collections assessed on Managed Care Organization (MCO) premiums deposited into the Medical Assistance Trust Fund (MATF). The projected expenditure impact is based on estimated changes to payment methodologies for Other Rural Health Clinics (RHCs) and Other Rural Hospital inpatient and outpatient services. These adjustments will modify the allocation and distribution of Hospital Directed Payments.

1. Other Rural - Rural Health Clinic Increase (\$5.5 M):

Proposed law establishes outpatient cost based reimbursement at the greater of 110% of cost or prospective reimbursement rate which results in an estimated increase of \$5,445,231 blended means of finance (SGF, Statutory Dedication and Federal).

Proposed Other Rural Hospital Preservation Act Rural Health Clinics (RHC) Rate Change Impact:

Hospital Licensed RHCs:	Cost Report	Encounters	Rate Increase	Total Increase
Acadian Physician Specialties	9/30/25	14,090	\$ 88.28	\$1,243,865
Basile Family Healthcare	9/30/25	887	\$ 87.36	\$ 77,487
Church Point Medical Clinic	9/30/25	4,262	\$ 56.11	\$ 239,151
Louisiana Family Practice	9/30/25	1,604	\$ 45.03	\$ 72,225
Mercy Rural Health Clinic	9/30/25	6,693	\$204.16	\$1,366,423
Fontenot Internal Medicine Clinic	9/30/25	972	\$171.84	\$ 167,028
Mercy Regional Family Healthcare	9/30/25	3,187	\$154.91	\$ 493,698
Alegiance Medical Clinic of Ruston	9/30/25	6,528	\$231.44	\$1,510,821
Basile Rural Health Clinic	12/31/24	921	\$ 67.75	\$ 62,394
Elton Rural Health Clinic	12/31/24	685	\$ 63.98	\$ 43,829
Mamou Family Care	12/31/24	2,342	\$ 11.72	\$ 27,448
Oberlin Family Care	12/31/24	113	\$ 66.61	\$ 7,527
Savoy Family Care	12/31/24	3,836	\$ 7.40	\$ 28,375
Savoy Family Healthcare (new)	12/31/24	1,524	\$ 53.05	\$ 80,848
Ville Platte Family Care	12/31/24	1,245	\$ 19.37	\$ 24,112
				\$5,445,231

EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Proposed law is anticipated to result in an increase of \$557,553 in Statutory Dedications out of MATF and an indeterminable impact on Intergovernmental Transfers (IGTs) within LDH. The revenue increase in MATF is a direct result of the 5.5% premium tax collections levied on MCO per member per month (PMPM) expenditures. The proposed legislation authorizes the Louisiana Department of Health (LDH) to utilize Intergovernmental Transfers (IGTs) for the benefit of other rural hospitals; however, IGTs are not currently used as a financing source for rate-based reimbursement payments. In addition, there is the potential for other rural hospitals to be exempted from the Hospital Assessment (HCR 3 of 26 R.S.). This would potentially result in a decrease of approximately \$20 M if LDH requires an equal revenue collection from the Hospital Assessment, which would increase the assessment to other hospitals.

Senate	<u>Dual Referral Rules</u>	House
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" 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}

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CONTINUED EXPLANATION from page one:

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EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE

2(a). Other Rural - Medicaid Inpatient Rate Increase (\$8.8 M):

Proposed law establishes a prospective Medicaid payment rate for Other Rural Hospitals that is intended to approximate cost calculated as: Median cost of "other rural hospitals" + 10% margin, adjusted for inflation (3.5%), which resulted in an estimated \$8,810,204 increase in reimbursement. See below:

	<u>Rate Increase</u>	<u>Paid Days/Units</u>	<u>Total Increase</u>
Inpatient Acute/NICU	\$ 356.61	7,927	\$2,826,848
Nursery Rate	\$1,069.62	2,220	\$2,374,556
Psych Rate	\$ 453.88	7,951	\$3,608,800
			\$8,810,204

2(b). Other Rural - Medicaid Outpatient Rate Increase (\$7 M):

Proposed law establishes cost based reimbursement at 110% of cost which results in an estimated increase of \$7,040,657. The current estimated reimbursement is set at 95% of costs.

\$51,631,494 - Proposed reimbursement at 110% of costs
 \$44,590,837 - Current reimbursement at 95% of costs
\$7,040,657 - Total Increase

Total Other Rural Inpatient/Outpatient increase:
 \$ 8,810,204 - Other Rural Hospitals Inpatient Increase
 \$ 7,040,657 - Other Rural Hospitals Outpatient Increase
\$15,850,861 - Total Other Rural Hospital Increase

3. Directed Payment Change Calculation (\$15.9 M):

Based on the current methodology for the rural hospitals and other rural hospitals preprint, the hospitals are paid up to 100% of the average commercial rate as calculated for the whole group. Because of this methodology, an increase in base rates to the other rural hospitals would result in a shift of funds between the hospitals in the rural hospital directed payment preprint. LDH projects that \$19,078,095 would shift away from the current small rural hospitals as defined in the Rural Hospital Preservation Act to fund the other rural hospital inpatient and outpatient increases. **This reallocation is anticipated to have an indeterminable impact on Intergovernmental Transfers (IGTs), reflected as an SGR expenditure in this fiscal note, which are currently utilized as a financing mechanism within the hospital directed payment model.**

<u>Inpatient</u>	<u>Proposed Model</u>	<u>Current Model</u>	<u>Change</u>
Rural (Public and Private)	\$42,018,106	\$51,922,090	(\$9,903,984)
Other Rural Hospitals	\$26,671,257	\$25,577,477	\$1,093,780
Subtotal	\$68,689,363	\$77,499,567	(\$8,810,204)
<u>Outpatient</u>	<u>Proposed Model</u>	<u>Current Model</u>	<u>Change</u>
Rural (Public and Private)	\$135,833,364	\$145,007,475	(\$9,174,111)
Other Rural Hospitals	\$32,890,397	\$30,756,943	\$2,133,454
Subtotal	\$168,723,761	\$175,764,418	(\$7,040,657)

Source: SFY 2027 Rural Acute Hospital Modeled State Directed Payments Development Support - 20260218

(\$19,078,095) - Rural Hospital Directed Payment Reduction
 \$3,227,234 - Other Rural Hospital Directed Payment Increase
(\$15,850,861) - Total Change in Hospital Directed Payments

Note: Total expenditures do not calculate the the total expenditure impact shown above. This difference is associated with the addition of a 10% Administrative Fee and Premium Tax added in FY 27.

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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