LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 971** HLS 26RS 1425
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date:	May 31, 2026 3:54 PM	**Author:**	STAGNI
Dept./Agy.:	Department of Health / Medicaid		
Subject:	Medicaid reimbursement for rural health clinics	**Analyst:**	Cristian Nedelea

MEDICAID EN +$2,655,159 GF EX See Note

Provides relative to Medicaid reimbursement for rural health clinics

Proposed law requires the secretary of the Louisiana Department of Health (LDH) to take all necessary actions to equalize the Medicaid reimbursement rate between independent Rural Health Clinics (RHCs), also known as type one RHCs, and provider-based RHCs, also known as type two and three RHCs. It further requires LDH, in FY 27 and FY 28, to increase the encounter rate in effect from the previous fiscal year for independent RHCs by $41.50 and apply the annual Medicare Economic Index inflationary adjustment to this rate. Type one and two RHCs shall be subject to facility need review to determine the need for a new or additional facilities, providers, programs, services, or beds. Proposed law requires LDH to take any necessary action to implement the provisions of the proposed law no later than ninety days after the effective date of this Act. LDH shall submit a monthly report to the legislature detailing the number of encounters per month for each individual type one clinic and the total amount of monthly expenditures for each individual type one clinic. The provisions of the proposed law are subject to the approval of the Centers for Medicare and Medicaid Services. Proposed law provides that the provisions of this legislation shall become effective when an Act of the Louisiana Legislature containing a specific appropriation of monies for the implementation of the provisions of this Act becomes effective. Proposed law shall become effective upon signature by the governor or, if not signed by the governor, upon expiration of the time for bills to become law without signature by the governor. If vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on the day following such approval.

EXPENDITURES	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**5 -YEAR TOTAL**
State Gen. Fd.	**$2,655,159**	**$3,085,147**	**$3,104,042**	**$3,187,852**	**$3,273,924**	**$15,306,124**
Agy. Self-Gen.	$0	$0		$0	$0	**$0**
Ded./Other	**$301,240**	**$797,140**	**$883,066**	**$906,909**	**$931,396**	**$3,819,751**
Federal Funds	**$9,265,176**	**$12,166,853**	**$12,495,358**	**$12,832,733**	**$13,179,217**	**$59,939,337**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$12,221,575**	**$16,049,140**	**$16,482,466**	**$16,927,494**	**$17,384,537**	**$79,065,212**

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.	$0	$0	$0	$0	$0	**$0**
Ded./Other	**$301,240**	**$797,140**	**$883,066**	**$906,909**	**$931,396**	**$3,819,751**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$301,240**	**$797,140**	**$883,066**	**$906,909**	**$931,396**	**$3,819,751**

EXPENDITURE EXPLANATION

The provisions of proposed legislation are effective when an Act of the legislature containing a specific appropriation of monies for implementation becomes effective.

Proposed law is anticipated to result in an expenditure increase within the Louisiana Department of Health (LDH) of $12.2 M ($2.7 M SGF, $301,240 Statutory Dedications out of the Medical Assistance Trust Fund - MATF, and $9.3 M Federal) in FY 27 (assuming 11 payment months), $16 M ($3.1 SGF, $797,140 Statutory Dedications - MATF, and $12.2 M Federal) in FY 28 (full year cost), and increasing in future fiscal years by the annual Medicare Economic Index (MEI) inflationary adjustment of 2.7%. The proposed legislation requires LDH, in FY 27 and FY 28, to increase the encounter rate that is in effect in the previous fiscal year for independent RHCs by $41.50 and apply the annual Medicare Economic Index inflationary adjustment to this rate. It further requires LDH to submit a monthly report to the legislature providing the number of encounters per month and the total amount of monthly expenditures for each individual type one clinic. Additionally, type one and two RHCs are subject to facility need review to determine the need for a new or additional facilities, providers, programs, services, or beds.

The expenditure projection is based on the following data and assumptions provided by LDH:
(1) Expected new cost: RHC current utilization data for the mandated services were repriced using an increase in the encounter rate by $41.50 in FY 27 and FY 28. The annual Medicare Economic Index (MEI) inflationary adjustment of 2.7% is applied to the add-on in both years and then applied to the FY 29 rate through FY 31. Additionally, a 10% increase in volume utilization is assumed for FY 27 and FY 28.
(2) Observed cost: current RHC encounter utilization and reimbursement data contained in the 7/01/2025 Medicaid RHC rate file and associated encounter volumes for the mandated services were used for the projection.
(3) Rate differential = (1) Expected new cost - (2) Observed cost.
(4) 5.5% premium tax and 10% administrative cost are factored into the total cost paid to the managed care organizations (MCOs). Statutory Dedications for FY 27 reflect five months of premium taxes, collected on a calendar year basis (August through December 2026).
(5) Effective date: 7/01/2026. FY 27 accounts for 11 months of usage.
(6) LDH assumes an overall 75.81% blended FMAP rate for financing.

Note: The LFO is unable to corroborate the expenditure estimates projected by LDH. To the extent that actual utilization varies from projections, total costs would shift accordingly. Should additional information regarding estimated expenditures become available, this fiscal note will be updated.

REVENUE EXPLANATION

Proposed law is anticipated to result in a revenue increase within the LDH of $301,240 in Statutory Dedications - MATF revenues in FY 27, $797,140 in FY 28, and increasing by 2.7% MEI inflationary adjustment in future fiscal years. Premium tax collections are based on a calendar year and the Statutory Dedications fiscal impact for FY 27 is for only five months of collections (August through December 2026). The revenue increase is a direct result of the 5.5% premium tax collections levied on MCO capitation expenditures. The increase in expenditures will be integrated into the actuarially sound premium/capitation payments made by LDH to MCOs.

Senate — Dual Referral Rules

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

[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}

House

[x] 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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