Louisiana Legislative Fiscal Office Fiscal Notes

# LEGISLATIVE FISCAL OFFICE
## Fiscal Note

Fiscal Note On: **HCR 8** HLS 17RS 888
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

**Date:** June 8, 2017 2:48 PM
**Author:** BARRAS
**Dept./Agy.:** LDH/Medicaid
**Subject:** hospital stabilization formula
**Analyst:** Shawn Hotstream

HOSPITALS EN +$60,654,368 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 2017-2018 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 hospital rate increases. Proposed law maintains the reimbursement rates in effect for dates of service on or after January 1, 2017 (rate increases provided for in the 2017 hospital HCR 51). Additionally, for dates of service on or after January 1, 2018 (6 months of FY 18), this measure provides additional rate increases, including inpatient reimbursement rates indexed to the highest non state hospital per diem rate in effect on January 1, 2017 (excluding specialty ICU's and GME).

| EXPENDITURES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|---|---|---|---|---|---|---|
| State Gen. Fd. | $0 | $0 | $0 | $0 | $0 | **$0** |
| Agy. Self-Gen. | $0 | $0 | $0 | $0 | $0 | **$0** |
| Ded./Other | $35,273,931 | $46,874,277 | $46,874,277 | $46,874,277 | $46,874,277 | **$222,771,039** |
| Federal Funds | $60,945,193 | $84,169,271 | $84,169,271 | $84,169,271 | $84,169,271 | **$397,622,277** |
| Local Funds | $0 | $0 | $0 | $0 | $0 | **$0** |
| **Annual Total** | **$96,219,124** | **$131,043,548** | **$131,043,548** | **$131,043,548** | **$131,043,548** | **$620,393,316** |

| REVENUES | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 5 -YEAR TOTAL |
|---|---|---|---|---|---|---|
| State Gen. Fd. | $0 | $0 | $0 | $0 | $0 | **$0** |
| Agy. Self-Gen. | $0 | $0 | $0 | $0 | $0 | **$0** |
| Ded./Other | $60,654,368 | $0 | $0 | $0 | $0 | **$60,654,368** |
| Federal Funds | $497,027,247 | $0 | $0 | $0 | $0 | **$497,027,247** |
| Local Funds | $0 | $0 | $0 | $0 | $0 | **$0** |
| **Annual Total** | **$557,681,615** | **$0** | **$0** | **$0** | **$0** | **$557,681,615** |

**EXPENDITURE EXPLANATION**

The proposed resolution annualizes the rate increases provided for in the FY 17 hospital resolution (HCR 51), and further provides for additional rate increases for certain hospitals in FY 18. The additional rate increases begin January 1, 2018 (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 fiscal years and are not conditioned upon an assessment. Rate information provided by LDH indicates the aggregate rate increase based on this resolution is estimated to cost approximately $96,219,124 ($35,273,931 state match). The state match utilized for these additional rate increases is the assessment revenue generated through this measure (Statutory Dedication).

Projected rate increase:

| FY 18 | Future fiscal years (assuming future resolutions not modified) |
|---|---|
| $96.2 M ($35.2 M state match) | $131 M ($46.8 M state match) |

**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 $60,654,368 in FY18), 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 $116 M in FY 18). Based on the estimates, 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 18 as future resolutions must be filed and passed annually by the legislature to generate additional assessment revenue.

Note: For FY 17, FMP payments were included in the base of qualifying hospital payments subject to the assessment. The methodology used to calculate the assessment in F18 excludes Full Medicaid Pricing (FMP) payments.

The revenue generated from this measure will be used to draw federal matching funds. Total revenues will be used partially for hospital rate increases and partially for the hospital related costs of expansion.

| Senate | Dual Referral Rules | House |
|---|---|---|
| [x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H} | | [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S} |
| [x] 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} |

John D. Carpenter

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**Legislative Fiscal Officer**

**CONTINUED EXPLANATION from page one:**



The illustration below reflects the projected expenditure allocation of FY 18 assessment revenue:

| Expenditure: | FY 18 Rate Increase | FY 18 partial funding of hosp. costs of expansion | TOTAL |
|---|---|---|---|
| Stat. Ded. | $35,273,931 | $25,380,437 | $60,654,368 |
| Federal | $60,945,193 | $436,082,054 | $497,027,247 |
| Total | $96,219,124 | $461,462,491 | $557,681,615 |

Hospital related costs associated with Medicaid expansion in FY 18 is projected to total $1,102,806,695.

Note: For FY 18, the Medical Vendor Payments (MVP) budget (HB 1 original) was developed in accordance with the level of assessment and corresponding rate increases estimated in HCR 51 of 2016 (assumed the hospital stabilization assessment and corresponding rate increases under that measure would be in effect through June 30, 2018). The HB 1 Original MVP budget includes approximately $56.3 M in assessment revenues for both hospital rate increases, and to offset the hospital related cost of Medicaid expansion. This resolution directs more assessment revenues for additional rate increases beginning January 1, 2018 above those authorized in HCR 51, and reduces the qualifying payments subject to the assessment in FY 18.