



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

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

**Date:** May 8, 2026 4:13 PM **Author:** MILLER, D.  
**Dept./Agy.:** Louisiana Department of Health/Medicaid **Analyst:** Anthony Shamis  
**Subject:** Other rural hospital reimb. payments and directed

MEDICAID EG +\$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. 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 annual funding for other rural hospitals to be subject to a separate annual legislative appropriation in an amount sufficient to protect and hold rural hospitals harmless from any direct or indirect negative financial effects resulting from implementation of proposed law. Proposed law further requires the Louisiana Department of Health (LDH) to ensure that funding provided pursuant to proposed law is supplemental to and shall not be used to offset, supplant, substitute for, or reduce any existing or future federal, state, or local funding streams available to rural hospitals. Proposed law additionally requires LDH to ensure implementation does not result in any reduction in Medicaid reimbursement received by small rural hospitals, either individually or in the aggregate. Proposed law becomes effective upon signature of the governor.

EXPENDITURES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$25,769,928	\$25,869,189	\$26,087,451	\$26,312,728	\$26,545,247	\$130,584,543
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 \$41.8 M (\$25.7 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 (\$15.9 M), directed payments (\$3.2 M). To fund the increased reimbursements to other rural hospitals \$19 M SGF will be required in order to ensure that small rural hospital funding is not reduced as a result of this measure. 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. **The FY 27 Preliminary Rural Acute Hospital Modeled State Directed Payment Model was used in this note, with an estimated 3.5% market basket increase applied to subsequent fiscal years.**

**1. Other Rural - Rural Health Clinic (RHC) 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
				<b>\$5,445,231</b>

**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. Proposed law requires LDH to withhold, offset, or recoup any payments authorized in accordance with this measure for any hospital that is not in compliance with assessment obligations until such obligations are satisfied.

<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 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}

*Alan M. Boxberger*

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**Legislative Fiscal Officer**



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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
			<b>\$8,810,204</b>

**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>Proposed Model</u>	<u>Current Model</u>	<u>Change</u>
<b>Inpatient</b>			
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
<b>Subtotal</b>	<b>\$68,689,363</b>	<b>\$77,499,567</b>	<b>(\$8,810,204)</b>
<b>Outpatient</b>			
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
<b>Subtotal</b>	<b>\$168,723,761</b>	<b>\$175,764,418</b>	<b>(\$7,040,657)</b>

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**

**4. Small Rural Hospital Directed Payment Hold Harmless Payment (\$19 M)**

Proposed law requires that funding provided pursuant to proposed law be supplemental to, and not used to offset, supplant, substitute for, or reduce, any existing or future federal, state, or local funding streams available to rural hospitals. Information provided by LDH indicates that the Rural Hospital Directed Payment model is currently funded at the federal maximum level. **As a result, maintaining existing funding levels for small rural hospitals, as defined in the Rural Hospital Preservation Act, is anticipated to require an additional \$19,078,295 in SGF expenditures to offset reductions in directed payments and hold affected hospitals harmless.**

**Summary of Increases to fund Other Rural Hospitals:**

\$ 8,810,204: Other Rural - Medicaid Inpatient Rate Increase  
 \$ 7,040,657: Other Rural - Medicaid Outpatient Rate Increase  
 \$ 3,227,234: Other Rural - Hospital Directed Payment Increase  
**\$19,078,095: Other Rural - Total Inpatient/Outpatient Increase**

<u>Summary by Means of Financing:</u>	<u>SGF</u>	<u>Stat. Ded<sup>1</sup></u>	<u>Federal</u>	<u>Total<sup>2</sup></u>
Increases to Other Rural Hospitals/RHCs:	\$ 6,691,833	\$557,553	\$15,447,501	\$22,696,886
Small Rural Hospital Hold Harmless:	\$19,078,095	\$0	\$0	\$0
<b>Total Expenditure Increase:</b>	<b>\$25,769,928</b>	<b>\$557,553</b>	<b>\$15,447,501</b>	<b>\$41,774,982</b>

Notes:

<sup>1</sup> Premium Tax is calculated on calendar year and based on six months in calendar year 2026 with one month of PMPM claims lag (5 PMPM payments).

<sup>2</sup> Total expenditures to not calculate to the total expenditure impact reflected in the adjustments above. The difference is associated with the addition of a 10% Administrative Fee and 5.5% Premium Tax on Managed Care expenditures.

Senate  
 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}  
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