

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2140-02
Bill No.: Perfected SCS for SB 578
Subject: Health Care; Hospitals; Medicaid; Social Services Department
Type: Original
Date: April 27, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Federal Reimbursement Allowance*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

***Expected to exceed \$4 million annually.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Federal	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

***Revenues and expenditures of more than \$605 million annually and would net to \$0.**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Cooper County Memorial Hospital** assume this proposal would not fiscally impact their agency.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** assume this proposal would not fiscally impact their agency. DMS states that if the federal reimbursement allowance (FRA) program is not extended, additional funding would be needed to maintain the current level of services. DMS assumes the FRA program would not end before the expiration date. DMS also assumes the 85% limit would be met. DMS assumes that FY 2002 would be based on nine months and FY 2003 and FY 2004 would be based on twelve months. The federal participation rate use is 61.06%.

The **Barton County Memorial Hospital**, the **Cass Medical Center**, the **Excelsior Springs Medical Center**, the **Lincoln County Memorial Hospital**, the **Pemiscot Memorial Hospital**, the **Phelps County Regional Medical Center**, the **Ray County Memorial Hospital**, the **Samaritan Memorial Hospital**, and the **Ste. Genevieve County Memorial Hospital** officials did not respond to our fiscal impact request.

Amendment 1

DMS states the passage of this portion of the proposal may have a fiscal impact on DMS; however, the cost is unknown. DMS states it is difficult to determine what the proposal actually means to payments. DMS states that if this portion of the proposal means the University Hospital and Clinics, i.e. the one hospital and not affiliated hospitals, is paid a per diem rate equal to the highest per diem rate in the state, the impact would be \$10.37 million based on UMC's estimated SYF 2002 fee-for-service Medicaid days of 14,794. Currently, Children's Mercy has a per diem of \$1,945.85 which is \$701.05 greater than UMC's rate of \$1,244.80. DMS states the cost is unknown due to the amendment language: "...hospital and clinics associated with a land grant university...". According to the latest list from the Missouri Hospital Association, the University of Missouri Health Sciences Center either owns, manages, leases, or has affiliation agreements with 18 hospitals. If this applies to all hospitals affiliated with the university, then the state would be required to pay the \$2,000 per diem rate for all hospitals. In addition, this amendment may encourage other hospitals to "buy-in" and thus become affiliated with the university hospital. This would result in even more hospitals being paid at the higher rate.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (9 Mo.)	FY 2003	FY 2004
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**FEDERAL REIMBURSEMENT
ALLOWANCE FUND**

Income - Department of Social Services

Assessment of hospitals	\$286,566,737	\$382,088,983	\$382,088,983
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Costs - Department of Social Services

Program specific expenditures	(\$286,566,737)	(\$382,088,983)	(\$382,088,983)
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Costs- Department of Social Services

Amendment 1 *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
FEDERAL REIMBURSEMENT
ALLOWANCE FUND ***

<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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***Expected to exceed \$4 million
annually.**

FEDERAL FUNDS

Income - Department of Social Services

Medicaid match	\$449,351,951	\$599,135,935	\$599,135,935
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Income - Department of Social Services

Medicaid match *	Unknown	Unknown	Unknown
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Costs - Department of Social Services

Program specific expenditures	(\$449,351,951)	(\$599,135,935)	(\$599,135,935)
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Costs- Department of Social Services

Amendment 1 *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
FEDERAL FUNDS ***

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - State Government

FY 2002
(9 Mo.)

FY 2003

FY 2004

***Expected to exceed \$6 million annually.**

FISCAL IMPACT - Local Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would revise the Hospital Federal Reimbursement Allowance Program. Section 208.471, RSMo, currently requires the Department of Social Services to make payments to Medicaid provider hospitals. New language would provide that prior to June 30, 2002, the payment would be in an annual amount. Beginning July 1, 2002, Sections 208.453 through 208.480 would expire 180 days after the end of any fiscal year in which the aggregate federal reimbursement allowance on hospitals would be more than eighty-five percent of the sum of direct Medicaid payments. Uninsured add-on payments and graduate medical education payments would be adjusted to comply with the percentage, unless made during the 180 day period. Direct Medicaid payments, uninsured add-on payments, and enhanced graduate medical education payments would be specifically outlined. The Division of Medical Services may currently provide alternative reimbursement for outpatient services. New language would allow this reimbursement to include but not be limited to payments to clinics serving low-income, uninsured patients. Section 208.480 would provide that Sections 208.453 through 208.480 would expire on September 30, 2004.

In addition, any hospital and clinics associated with a land grant university would be reimbursed at a rate no lower than any other hospital in the state.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
Cooper County Memorial Hospital

NOT RESPONDING: Barton County Memorial Hospital, Cass Medical Center, Excelsior Springs Medical Center, Lincoln County Memorial Hospital, Pemiscot Memorial Hospital, Phelps County Regional Medical Center, Ray County Memorial Hospital, Samaritan Memorial Hospital, Ste. Genevieve County Memorial Hospital

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "Jarrett".

Jeanne Jarrett, CPA
Director

April 27, 2001