



## Fiscal Estimate Narratives

DHFS 5/6/2008

LRB Number	<b>07-2637/1</b>	Introduction Number	<b>AB-0748</b>	Estimate Type	<b>Original</b>
<b>Description</b> Creating a nonrefundable individual and corporate income tax credit for health care providers who provide services to Medical Assistance recipients at a higher than average rate					

### Assumptions Used in Arriving at Fiscal Estimate

This bill creates a nonrefundable individual and corporate income tax credit for primary care physicians and dentists for certain costs of providing medical services that are not reimbursed under the Medical Assistance program. Physicians and dentists who provide services to MA recipients at a high rate of service and who participate in the program may claim a credit that is 50% of their unreimbursed costs that are incurred in a taxable year. The credit may be claimed only up to the taxpayer's tax liability. AB 748 defines unreimbursed costs as the difference between a physician's usual and customary charges for providing a services and the amount paid to the physician for the services by Medical Assistance.

The bill defines "high rate of service" as a rate of service provided by a physician or dentist that is at least 200% greater than the average rate of service provided by all physicians or dentists. The bill requires the Department to determine what this average rate of service is. This requirement will not increase the Department's workload significantly.

Access to primary care physicians in Medicaid is generally good. It is, therefore, unlikely that AB 748 will increase participation by providers or have an impact on expenditures in the Medicaid fee-for-services physician program.

AB 748 may, however, increase the number of dental providers willing to participate in the MA program. It is likely that the credit would increase Medicaid participation and services by 20% to 50%. As a result, total program costs would increase by \$8.9 million AF (\$3.8 million GPR) to \$22.3 million AF (\$9.5 million GPR) initially, based on FY 07 total program costs of \$44.5 million AF.

If, as a result of this legislation, more dentists provide Medicaid dental services, the average rate of service will increase, and it will become more difficult for providers to achieve a rate of service that is at least 200% greater than the average. It is, therefore, likely that the amount of any increase to the Medicaid program will fluctuate as participation rates change.

### Long-Range Fiscal Implications