

Fiscal Estimate - 2007 Session

Original Updated Corrected Supplemental

LRB Number 07-2637/1		Introduction Number AB-0748	
Description 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			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<input type="checkbox"/> Decrease Costs			
Local:			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village <input type="checkbox"/> Cities	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
Fund Sources Affected		Affected Ch. 20 Appropriations	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
Agency/Prepared By		Authorized Signature	Date
DOR/ Bradley Caruth (608) 261-8984		Rebecca Boldt (608) 266-6785	3/11/2008

Fiscal Estimate Narratives

DOR 3/11/2008

LRB Number	07-2637/1	Introduction Number	AB-0748	Estimate Type	Original
Description 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 credit for a physician or dentist who provides a high rate of service to Medical Assistance (MA) recipients. The credit is equal to the difference between the health care provider's usual and customary charges for providing medical or dental service and the amount paid to the physician or dentist for providing such services to MA recipients. Unused credits may be carried forward for up to 15 years.

Corporations and sole proprietorships may claim the credit. Partnerships, limited liability companies, and tax-option corporations are required to compute the credit and pass it on to their members in proportion to their ownership interests.

The Department of Health and Family Services (DHFS) must determine the average rate of service to MA recipients for purposes of computing a high rate of service of a dentist or physician. The "rate of service" means the percentage of a dentist's or physician's patients who receive MA, and "high rate of service" is defined as at least 200% greater than the average rate of service.

Based on information obtained from DHFS, total unreimbursed expenses for medical and dental care submitted directly by health care providers for 2006 were approximately \$158 million, and total unreimbursed expenses submitted by health care providers to HMOs were \$208 million. Thus, a total of \$366 million in unreimbursed expenses were provided by physicians and dentists in 2006 under the MA program.

It is not known how many health care providers would meet the high rate of service requirement of the bill. As an illustration, if it is assumed that 50% of the unreimbursed expenses are attributable to eligible health care providers and 75% of the claimed credit could be used against net tax liability, the fiscal effect of the bill would be to reduce revenue by \$137 million ($\$366 \text{ million} \times 50\% \times 75\%$). To the extent that a different portion of unreimbursed expenses would accrue to high rate of service providers the fiscal effect would be higher or lower.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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Description 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			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$SeeText	\$
Agency/Prepared By		Authorized Signature	
DOR/ Bradley Caruth (608) 261-8984		Rebecca Boldt (608) 266-6785	
		Date	
		3/11/2008	