

Fiscal Estimate - 2007 Session

Original Updated Corrected Supplemental

LRB Number 07-3446/2	Introduction Number SB-490	
Description Eliminating an assessment on the gross private patient revenue of hospitals, creating an assessment on the gross patient revenue of hospitals, creating a hospital assessment trust fund, increasing the Medical Assistance and Badger Care payment rate for hospitals, requiring monthly payments by health maintenance organizations to hospitals and reconciliation of payments with actual utilization of services, increasing supplemental Medical Assistance payments to rural hospitals, transferring moneys from the hospital assessment fund to the injured patients and families compensation fund, requiring the Department of Health and Family Services annually to submit a report for review by the Joint Committee on Finance, and making appropriations		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input checked="" type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
Local:		
<input checked="" 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		
<input type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.435(4)(gp), (o), (xc),(xd) & (xe)		
Affected Ch. 20 Appropriations		
Agency/Prepared By	Authorized Signature	Date
DHFS/ Richard Megna (608) 266-9359	Andy Forsaith (608) 266-7684	3/6/2008

Fiscal Estimate Narratives

DHFS 3/6/2008

LRB Number	07-3446/2	Introduction Number	SB-490	Estimate Type	Original
Description Eliminating an assessment on the gross private patient revenue of hospitals, creating an assessment on the gross patient revenue of hospitals, creating a hospital assessment trust fund, increasing the Medical Assistance and Badger Care payment rate for hospitals, requiring monthly payments by health maintenance organizations to hospitals and reconciliation of payments with actual utilization of services, increasing supplemental Medical Assistance payments to rural hospitals, transferring moneys from the hospital assessment fund to the injured patients and families compensation fund, requiring the Department of Health and Family Services annually to submit a report for review by the Joint Committee on Finance, and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

This Bill would delete the current \$1.5 million annual assessment on hospitals and replace that assessment with a \$210,458,300 assessment in 2008-09 on hospitals' gross revenues that would be deposited into a newly created segregated Hospital Trust Fund. Critical access and psychiatric hospitals would be exempt from the new gross revenue assessment.

In 2008-09, the Bill specifies that the following expenditures be made from the Hospital Trust Fund: (1) additional Medicaid payments of \$362,782,000 AF (148,958,300 SEG and \$213,823,700 FED) in 2008-09 to hospitals and HMOs for both inpatient and outpatient services to Medicaid recipients; (2) \$1,500,000 SEG to support Medicaid expenditures in general (replaces current \$1.5 million hospital assessment support of Medicaid costs); and (3) provides \$60,000,000 SEG to be transferred to the Injured Patients and Families Compensation Fund.

In following years, the Bill directs that the following additional transfers be made to the Injured Patients and Families Compensation Fund: (a) \$65,000,000 in 2009-10; (b) \$65,000,000 in 2010-11; and (c) \$10,000,000 in 2011-12. Over the four years 2008-09 thorough 2011-12, a total of \$200,000,000 would be transferred from the Hospital Fund to the Injured Patients and Families Compensation Fund.

The Bill would impose additional administrative work and costs on the Department. There would be a need for additional actuarial services for establishing new fee-for-service hospital rate payments and new HMO capitation rates to insure that total hospital payments do not exceed federal upper payment limits. Also, the Bill includes a provision that Medicaid HMOs provide interim payments to hospitals that reflect the increase in capitation payments under Medicaid that are associated with funding from the Hospital Trust Fund. The Department is required to determine monthly amounts, specific to each HMO and hospital, for the required interim payment. The Bill also requires a reconciliation based on actual hospital services provided to HMOs, and if the HMO and hospital have a dispute about the final amount, the Department must determine the appropriate amount, which would be subject to administrative review. Any administrative review appeals would result in additional charges to the Department from the Department of Administration for the cost of the hearing. The Department would also be required to prepare and submit annual reports to the Joint Committee on Finance on the hospital assessment amounts, including the pass-through amounts from HMOs to hospitals. Since these activities would be related to the Medicaid program, 50% of the cost would be supported by federal Medicaid administrative matching funding. It is estimated that these additional administrative activities could be absorbed.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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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	364,282,000		-1,500,000
TOTAL State Costs by Category	\$364,282,000		\$-1,500,000
B. State Costs by Source of Funds			
GPR			
FED	213,823,700		
PRO/PRS (20.435(4)(gp))			-1,500,000
SEG/SEG-S (Hospital Trust Fund)	150,458,300		
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	213,823,700		
PRO/PRS (20.435(4)(gp))		-1,500,000	
SEG/SEG-S (Hospital)	210,458,300		
TOTAL State Revenues	\$424,282,000	\$-1,500,000	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$362,782,000	\$	
NET CHANGE IN REVENUE	\$422,782,000	\$	
Agency/Prepared By		Authorized Signature	Date

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3/6/2008