



**Fiscal Note Request SB0120, As Introduced**

(continued)

4. The revenue collected from the utilization fee will continue to be deposited to the credit of the Department of Public Health and Human Services in a state special revenue fund for the purpose of funding increases in Medicaid payments to hospitals.

**Department of Public Health and Human Services**

1. This proposal provides that each hospital in the State of Montana pay a utilization fee for each inpatient bed day. This proposal continues the fee that was implemented by the 58<sup>th</sup> legislature in HB481
2. The revenue collected from the utilization fee is deposited to the credit of the Department of Public Health and Human Services (DPHHS) in a state special revenue fund for the purpose of funding increases in Medicaid payments to hospitals, as provided in section 14 of this bill.
3. Annual inpatient bed days are estimated to be 449,846 in FY 2006 and 456,627 in FY 2007.
4. The utilization fee for FY 2006 is six months of fees will be collected at the \$29.75 rate and the remaining six months at the \$27.70 rate.
5. The utilization fee for FY 2007 is six months of fees will be collected at the \$27.70 rate and the remaining six months will be determined by the Department of Revenue.
6. For calculation of the FY 2007 collections and related expenditures, it is assumed that for the last six months of FY 2007 the fees will be the same, \$27.70, as the first six months.
7. The fee will generate new state special revenue of \$11,052,716 in FY 2006 and \$12,648,568 in FY 2007.
  - a. FY 2006 – 449,846 bed days/2 x \$29.75 utilization fee + 449,846/2 x \$27.70 = \$12,921,826
  - b. FY 2007 – 456,627 bed days x \$27.70 utilization fee = \$12,648,568
8. The fee revenue will be used to match federal medical assistance payments and then will be redistributed to the hospitals in Montana.
9. These state special revenue funds will generate \$31,195,026 in FY 2006 and \$29,626,058 in FY 2007 of additional federal funds. This is based on a Federal Medical Assistance Participation rate (FMAP) rate of 70.71 percent in FY 2006 and 70.08 percent in FY 2007. State share rates are 29.29 in FY 2006 and 29.92 in FY 2007.
  - a. FY 2006 - \$12,921,826 / .2929 x .7071 percent = \$31,195,026
  - b. FY 2007 - \$12,648,568 / .2992 x .7008 percent = \$29,626,058
10. After these are matched with federal Medicaid funds, the total funds for the redistribution is \$37,735,459 and \$42,274,626.
  - a. FY 2006 - \$12,921,826 state funds + \$31,195,026 federal funds = \$44,116,852
  - b. FY 2007 - \$12,648,568 state funds + \$29,626,058 federal funds = \$42,274,626
11. Ongoing administrative requirements are estimated to cost \$60,000 each year. The tasks will include the annual provision of a list of all hospitals in the state to the Department of Revenue as well as an annual study of hospital reimbursement and utilization in the Medicaid program. Administrative costs include costs associated with check processing, contract set up, and printing and mailing of the reports.
12. Under this proposal, the Department of Revenue is responsible for administering the reporting and collection of the utilization fee as outlined in sections one through 13 of this bill.

**FISCAL IMPACT:**

**Department of Public Health and Human Services**

	<u>FY 2006</u>	<u>FY 2007</u>
	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$60,000	\$60,000
Benefits	<u>\$44,056,852</u>	<u>\$42,214,626</u>
TOTAL	<u>\$44,116,852</u>	<u>\$42,274,626</u>

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Funding of Expenditures:

State Special Revenue (02)	\$12,961,826	\$12,648,568
Federal Special Revenue (03)	<u>\$31,195,026</u>	<u>\$29,626,058</u>
TOTAL	\$44,116,852	\$42,274,626

Revenues:

State Special Revenue (02)	\$12,961,826	\$12,648,568
Federal Special Revenue (03)	\$31,195,026	\$29,626,058

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

State Special Revenue (02)	\$0	\$0
Federal Special Revenue (03)	\$0	\$0