



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	SB0118	<b>Title:</b>	Eliminate sunset for hospital bed tax
<b>Primary Sponsor:</b>	Cobb, J.	<b>Status:</b>	As Introduced-Revised

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Significant Local Gov Impact                | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$17,503,443	\$20,324,595	\$22,883,184	\$24,041,900
Federal Special Revenue	\$38,222,192	\$44,183,150	\$49,749,645	\$52,270,561
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$17,503,443	\$20,324,595	\$22,883,184	\$24,041,900
Federal Special Revenue	\$38,222,192	\$44,183,150	\$49,749,645	\$52,270,561
<b>Net Impact-General Fund Balance</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

**Description of fiscal Impact:** This proposal provides that each hospital in the State of Montana must pay a utilization fee for each inpatient bed day. The fee revenue will be deposited to the credit of the Department of Public Health and Human Services (DPHHS) in a state special revenue fund, and used to match federal medical assistance payments using the Federal Medical Assistance Percentage rate and then redistributed in total to hospitals in Montana.

### FISCAL ANALYSIS

#### Assumptions:

1. This bill continues the bed day fee that was originally implemented by the 58<sup>th</sup> legislature in HB481 and continued by the 59<sup>th</sup> legislature with SB120.

2. This proposal provides that each hospital in the State of Montana must pay a utilization fee for each inpatient bed day.
  - a. in the amount of \$27.70 for each inpatient bed day between January 1, 2006 and June 30, 2007;
  - b. in the amount of \$47.00 for each inpatient bed day between July 1, 2007 and December 31, 2007;
  - c. in the amount of \$43.00 for each inpatient bed day between January 1, 2008 and December 31, 2008;
  - d. in the amount of \$48.00 for each inpatient bed day between January 1, 2009 and December 31, 2009;
  - e. in the amount of \$50.00 for each inpatient bed day beginning January 1, 2010.
3. The revenue collected from the utilization fee must be 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 53-6-149, MCA.
4. The fee revenue will be used to match federal medical assistance payments and then will be redistributed to the hospitals in Montana.
5. Annual inpatient bed days are estimated to be 468,633 in FY 2008, 472,665 in FY 2009, 476,733 in FY 2010, and 480,838 FY 2011. Hospital utilization fees for fiscal years are collected by January 31 of the fiscal year and will use the rates of the previous calendar year to determine the amounts collected. The utilization fee for FY 2008 is estimated to be \$37.35 (6 months of fees will be collected at the \$27.70 rate and the remaining 6 months at the \$47.00 rate). The utilization fee for FY 2009 is estimated to be \$43.00. The estimated utilization fee for FY 2010 is \$48.00 and FY 2011 will be at the rate of \$50.00.
  - a. FY 2008 - 468,633 bed days x \$37.35 = \$17,503,443 Collected in January 2008
  - b. FY 2009 - 472,665 bed days x \$43.00 = \$20,324,595 Collected in January 2009
  - c. FY 2010 - 476,733 bed days x \$48.00 = \$22,883,184 Collected in January 2010
  - d. FY 2011 - 480,838 bed days x \$50.00 = \$24,041,900 Collected in January 2011
6. The addition of these state special revenue funds will generate \$38,257,764 in FY 2008, \$44,218,419 in FY 2009, \$49,784,914 in FY 2010 and \$52,305,829 in FY 2011 of additional federal funds. This is based on a Federal Medical Assistance Percentages (FMAP) of 68.61 in FY 2008, 68.51 in FY 2009, estimated 68.51 in FY2010, and 68.51 in FY2011.
  - a. FY 2008 - \$17,503,443 / 31.39 state share percent = \$55,761,207 x 68.61 percent = \$38,257,764
  - b. FY 2009 - \$20,324,595 / 31.49 state share percent = \$64,543,014 x 68.51 percent = \$44,218,419
  - c. FY 2010 - \$22,883,184 / 31.49 state share percent = \$72,668,098 x 68.51 percent = \$49,784,914
  - d. FY 2011 - \$24,041,900 / 31.49 state share percent = \$76,347,729 x 68.51 percent = \$52,305,829
7. 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. These administrative costs are funded at 50 percent state special revenue and 50 percent federal funds.
8. The Hospital Utilization fee will generate new state special revenue of \$17,503,443 in FY 2008, \$20,324,595 in FY 2009, \$ 22,883,184 in FY 2010 and \$ 24,041,900 FY2011 going to the credit of DPHHS. After these are matched with federal Medicaid funds, the total funds redistributed to the hospitals \$55,665,634 FY 2008, \$64,447,745 FY 2009, \$72,572,829 FY2010 and \$76,252,461 FY2011.
9. Under this proposal, the Department of Revenue is responsible for administering the reporting and collection of the utilization fee as outlined in 15-66-201, MCA. This will require the Department of Revenue to incur the costs. These costs will be minimal due to the limited number of taxpayers in Montana.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Operating Expenses	\$60,000	\$60,000	\$60,000	\$60,000
Benefits	\$55,665,635	\$64,447,745	\$72,572,829	\$76,252,461
<b>TOTAL Expenditures</b>	<u>\$55,725,635</u>	<u>\$64,507,745</u>	<u>\$72,632,829</u>	<u>\$76,312,461</u>
<b><u>Funding of Expenditures:</u></b>				
State Special Revenue (02)	\$17,503,443	\$20,324,595	\$22,883,184	\$24,041,900
Federal Special Revenue (03)	\$38,222,192	\$44,183,150	\$49,749,645	\$52,270,561
<b>TOTAL Funding of Exp.</b>	<u>\$55,725,635</u>	<u>\$64,507,745</u>	<u>\$72,632,829</u>	<u>\$76,312,461</u>
<b><u>Revenues:</u></b>				
State Special Revenue (02)	\$17,503,443	\$20,324,595	\$22,883,184	\$24,041,900
Federal Special Revenue (03)	\$38,222,192	\$44,183,150	\$49,749,645	\$52,270,561
<b>TOTAL Revenues</b>	<u>\$55,725,635</u>	<u>\$64,507,745</u>	<u>\$72,632,829</u>	<u>\$76,312,461</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

**Technical Notes:**

- In the 2007 executive budget request including DP 11012, the Hospital Utilization Fee, provides for \$12.6 million state special fund authority, \$27.5 million federal fund authority in FY 2008, \$13 million state special fund authority, and \$28.3 million federal fund authority in FY 2009. If this bill were approved, the executive budget will need to be amended to reflect these amounts.

\_\_\_\_\_  
*Sponsor's Initials*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Budget Director's Initials*

\_\_\_\_\_  
*Date*