

Department of Planning and Budget 2019 Fiscal Impact Statement

1. **Bill Number:** SB 1750

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron:** Lucas

3. **Committee:** Education and Health

4. **Title:** Medicaid Supplemental Payment Program Fund; established

5. **Summary:** The proposed legislation establishes the Medicaid Supplemental Payment Program Fund. The bill requires the Department of Medical Assistance Services (DMAS) to accept and to pay into the Fund, from any county, city, or town provider, assessment funds that have been collected, pursuant to an ordinance, from inpatient hospitals authorized to receive Medicaid supplemental payments pursuant to the State Plan for Medical Assistance Services amendments 11-018 and 11-019.

6. **Budget Amendment Necessary:** See Item 8.

7. **Fiscal Impact Estimates:** Preliminary. See Item 8

8. **Fiscal Implications:** The bill establishes the Medicaid Supplemental Payment Program Fund on the books of the Commonwealth and requires DMAS to accept revenue derived from locally imposed assessments on inpatient hospitals authorized to receive supplemental payments pursuant to the State Plan for Medical Assistance Services amendments 11-018 and 11-019. These state plan amendments were approved by the Centers for Medicare and Medicaid Services (CMS) in March of 2016 and have a retroactive effective date of October 25, 2011. To date, there has been no source of funding to support these payments. This legislation offers a funding mechanism - local assessments on select hospitals - to generate the state match for the supplemental payments.

There is minimal fiscal impact on DMAS associated with establishing the fund as required by this bill. If fully implemented, however, there could be the need for additional resources at DMAS to oversee this new provider assessment arrangement, work with local governments, address CMS requirements, and administer the new supplemental payments. In addition to the potential resource requirements at DMAS, there are several areas of uncertainty regarding supplemental payments that may have future fiscal implications on the Commonwealth:

- In recent years, CMS has scrutinized supplemental payment arrangements in several other states. Should CMS take issue with the financing arrangement (between DMAS, hospital, or locality) the state may be fully responsible for all disallowances imposed, and all expended federal dollars may need to be reimbursed with state funds.

- Under current (federal) regulations, states may not use provider tax revenues for the state share of Medicaid spending unless the tax meets three requirements: must be broad-based, uniformly imposed, and cannot hold providers harmless from the burden of the tax.
- There is a maximum amount that the Commonwealth can be reimbursed by the federal government each year for hospital supplemental payments. DMAS has recently implemented statewide hospital supplemental payments (authorized in state plan amendment 18-018) supported with the Provider Rate Assessment Fund. If the combined supplemental payments exceed the annual federal limit, it is unclear how these payments would be prioritized.
- It is unclear if this legislation is intended to give local governments the power to levy the necessary hospital assessments or if that authority is to be provided elsewhere. Further, it is unclear as to how assessment amounts are to be updated to generate revenue sufficient to make the required supplemental payments.
- If enacted, DMAS will require the necessary appropriation and authorization before any of the intended supplemental payments can be made.

9. Specific Agency or Political Subdivisions Affected:

Department of Medical Assistance Services

10. Technical Amendment Necessary: No

11. Other Comments: None