

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1223-01
Bill No.: HB 459
Subject: Ambulances and Ambulance Districts; Health Care; Federal-State Relations;
Department of Social Services
Type: Original
Date: February 10, 2009

Bill Summary: This legislation creates a federal reimbursement allowance for ground ambulance services.

The provisions of the legislation will expire September 30, 2015.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(Unknown but Greater than \$56,015)	(Unknown but Greater than \$60,827)	(Unknown but Greater than \$62,652)
Total Estimated Net Effect on General Revenue Fund	(Unknown but Greater than \$56,015)	(Unknown but Greater than \$60,827)	(Unknown but Greater than \$62,652)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Ambulance Service Reimbursement Allowance*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Income and costs of approximately Unknown in FY10, FY11 and FY12 would net to \$0.
Numbers within parentheses: () indicate costs or losses. This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and costs of approximately Unknown but Greater than \$101,817 in FY10, Unknown but Greater than \$110,565 in FY11 and Unknown but Greater than \$113,882 in FY12 would net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	1.05 FTE	1.05 FTE	1.05 FTE
Federal	1.95 FTE	1.95 FTE	1.95 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 FTE

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Sections 190.800 through 190.842:

Officials from the **Department of Health and Senior Services, Office of Administration-Administrative Hearing Commission** and the **Missouri State Treasurer** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Social Services - MO HealthNet Division (MHD)** states the legislation requires licensed ambulance services to pay a reimbursement allowance for the privilege of engaging in the business of providing services in Missouri. All amounts remitted shall be deposited in the Ambulance Service Reimbursement Allowance Fund for the purpose of providing payment to ambulance services.

Similar provider tax assessments are currently imposed on hospitals, nursing homes, pharmacies and managed care organizations. The assessment is general revenue equivalent and earns federal dollars when used to make valid Medicaid payments.

To determine the federal reimbursement allowance assessment for each ambulance service the MHD will need currently unavailable data such as revenues, expenses, total utilization, and

ASSUMPTION (continued)

Medicaid utilization. This information is included in the annual Medicaid cost reports submitted by hospitals and nursing facilities. Ambulance services, on the other hand, do not currently submit cost reports. Without cost reports the MHD will lack the data necessary to calculate the assessments from ambulance services and the additional Medicaid payments from the Ambulance Service Reimbursement Allowance Fund to the providers. An annual cost report filing requirement, however, would be a new burden on ambulance services.

Prior to preparing a cost report an ambulance service will also need to have an independent audit performed. The independent audit provides assurance that the provider's records (which are the source of information for the Medicaid cost report) accurately reflects the results of the provider's operations. Data from the ambulance service owner's income tax return may not provide sufficient information for assessment and payment calculations because revenues and expenses may be reported differently for tax purposes than they would be under generally accepted accounting principles. The independent audit would be a second burden on top of the annual cost report for those ambulance services that are not currently independently audited.

The MHD will need at least 3 full time equivalent staff to administer this reimbursement allowance program. These staff are needed to: promulgate rules for the new program; develop cost reporting formats to be used by ambulance services; review and audit the cost reports from ambulance services for accuracy and adherence to Medicaid regulations; compile finalized data from audited ambulance services' cost reports; calculate assessments every state fiscal year for all ambulance services and monitor all ambulance services to verify that their assessments are paid in a timely manner; determine the methodology for reimbursement of ambulance service federal reimbursement allowance funds to the providers and calculate the amounts of such reimbursement to the ambulance services every state fiscal year; and prepare the fiscal period reports in the manner required for the other federal reimbursement allowance programs. The additional staff will also have frequent correspondence and communication with the ambulance services regarding their cost report audits, assessments, payments, and other inquiries.

The MHD must obtain approval from the federal Centers for Medicare and Medicaid Services (CMS) for the proposed ambulance service federal reimbursement allowance. At a minimum, MHD must submit for CMS's review and approval a Medicaid state plan amendment for the ambulance service program. CMS will demand voluminous supporting documentation for this state plan amendment as part of its review. Approval of such an amendment is not certain.

The three staff needed will be one Auditor I, one Auditor II and one Senior Auditor. The costs associated with these staff include their salaries and equipment and expenses.

ASSUMPTION (continued)

Section 190.827 Rate Increase:

This section states that any per diem rate or its equivalent used to compute payments to ambulance services shall be equal to or greater than the per diem rate in effect on January 1, 2009 and that any ambulance service without a permanent rate by January 1, 2009 shall have a rate established in accordance with regulations promulgated by the DSS. The reimbursement allowance payment will be made in addition to the regular reimbursement made from general revenue based on the permanent rate.

MHD currently pays ambulance services on a fee for service basis for Title XIX participants not on a per diem basis. Capitation payments are made for Managed Care participants.

MHD assumes the intent of the legislation is to impose a rate increase for ambulance services and that the rate shall be greater than the rates were on January 1, 2009. It is further assumed that the intent of the legislation is to require that the reimbursement allowance payment will be made in addition to the regular rate reimbursement.

The amount of the rate increase is not specified in the legislation therefore the fiscal impact of this section cannot be calculated. However, for the sake of perspective if the rates were increased 1% over the rates in effect on January 1, 2009 and the utilization remained the same as it is in FY 2009 the fiscal impact would be \$220,793. If the rates were increased 15% the fiscal impact would be \$3,311,899.

The total cost for this legislation is unknown. However, the costs that can be estimated for FY10 are unknown but great than \$157,832 (\$56,015 GR); in FY11 unknown but greater than \$171,392 (\$60,827 GR); and in FY12 unknown but greater than \$176,534 (\$62,652).

Oversight assumes the 3 FTE and other related program cost will be paid from the General Revenue and Federal Funds. Oversight assumes the rate increase would be paid from the Ambulance Service Reimbursement Allowance and Federal Funds from unknown assessment income.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
<u>Costs</u> - Department of Social Services			
Personal Service	(\$33,778)	(\$41,766)	(\$43,019)
Fringe Benefits	(\$14,936)	(\$18,469)	(\$19,023)
Equipment and Expense	(\$7,300)	(\$592)	(\$610)
Program Costs	(Unknown)	(Unknown)	(Unknown)
<u>Total Costs</u> - DSS	(Unknown but Greater than \$56,015)	(Unknown but Greater than \$60,827)	(Unknown but Greater than \$62,652)
FTE Change - DSS	1.05 FTE	1.05 FTE	1.05 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Unknown but Greater than \$56,015)	(Unknown but Greater than \$60,827)	(Unknown but Greater than \$62,652)
Estimated Net FTE Change for General Revenue Fund	1.05 FTE	1.05 FTE	1.05 FTE
AMBULANCE SERVICE REIMBURSEMENT FUND			
<u>Income</u> - Department of Social Services	Unknown	Unknown	Unknown
<u>Costs</u> - Department of Social Services	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON AMBULANCE SERVICE REIMBURSEMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FEDERAL FUNDS

Income - Department of Social Services Federal Assistance

Unknown but Greater than \$101,817	Unknown but Greater than \$110,565	Unknown but Greater than \$113,882
--	--	--

Costs - Department of Social Services

Personal Service	(\$61,397)	(\$75,918)	(\$78,195)
Fringe Benefits	(\$27,150)	(\$33,571)	(\$34,578)
Equipment and Expense	(\$13,270)	(\$1,076)	(\$1,109)
Program Costs	(Unknown)	(Unknown)	(Unknown)

Total Costs - DSS

(Unknown but Greater than \$101,817)	(Unknown but Greater than \$110,565)	(Unknown but Greater than \$113,882)
--	--	--

FTE Change - DSS

1.95 FTE	1.95 FTE	1.95 FTE
----------	----------	----------

ESTIMATED NET EFFECT ON FEDERAL FUNDS

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
------------	------------	------------

Estimated Net FTE Change for Federal Funds

1.95 FTE	1.95 FTE	1.95 FTE
----------	----------	----------

FISCAL IMPACT - Local Government

FY 2010 (10 Mo.)	FY 2011	FY 2012
---------------------	---------	---------

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
------------	------------	------------

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Sections 190.800 through 190.842:

The proposed legislation creates a federal reimbursement allowance for ground ambulance services. Each ambulance service, except state-owned and -operated ambulances, will be required to pay an ambulance service reimbursement allowance based on a formula established by the Department of Social Services. Each ambulance service is required to keep the records necessary to determine the amount of its reimbursement allowance and submit that information to the Department by October 1 of each year.

The Department director is required to annually determine and notify each ambulance service by October 1 of the amount of its reimbursement allowance due. If requested by the ambulance service, the Department is authorized to offset the federal reimbursement allowance against any MO HealthNet Program payment due to the ambulance service.

Each ambulance service reimbursement allowance determination is final, unless the ambulance service files a protest with the Department director within 30 days of receipt of the written notice. If a timely protest is filed, the director must reconsider the determination and grant a hearing within 45 days if one is requested. The director's final decision which must be made within 45 days after the hearing may be appealed to the Administrative Hearing Commission.

The Ambulance Service Reimbursement Allowance Fund is created to provide payment to ambulance services and to disburse up to 5% of the federal funds deposited into the fund each year up to \$1.5 million to the credit of the newly created Ambulance Service Quality of Care Fund, subject to appropriations. All investment earnings of the Ambulance Service Reimbursement Allowance Fund must be credited to it.

The ambulance reimbursement allowance period will be from October 1 to September 30. The Department is required to annually notify each ambulance service on September 30 of the balance due. If an ambulance service fails to pay its reimbursement allowance within 30 days of the notice, the reimbursement allowance is considered delinquent and the Department may proceed with a lien against the ambulance service's property; deny, suspend, or revoke its license; and cancel or refuse to issue or extend its MO HealthNet provider agreement.

The provisions of the legislation will apply only as long as the revenues generated are eligible for federal participation under the MO HealthNet Program. The legislation requires the Department to provide copies of the proposed program rules to all interested parties 72 hours before filing them with the Secretary of State. The Department director is required to maintain a list of registered interested parties.

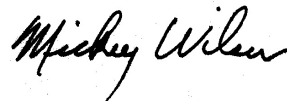
FISCAL DESCRIPTION (continued)

The provisions of the legislation will expire September 30, 2015.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration-Administrative Hearing Commission
Department of Health and Senior Services
Department of Social Services
Office of the Secretary of State
Missouri State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 10, 2009