

STORAGE NAME: h0687a.hcs

DATE: April 5, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
HEALTH CARE SERVICES
ANALYSIS**

BILL #: HB 687

RELATING TO: Public Medical Assistance Trust Fund

SPONSOR(S): Rep. Brummer

COMPANION BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) HEALTH CARE SERVICES YEAS 15 NAYS 0
 - (2) GOVERNMENTAL OPERATIONS
 - (3) FINANCE & TAXATION
 - (4) HEALTH & HUMAN SERVICES APPROPRIATIONS
 - (5)
-

I. SUMMARY:

HB 687 repeals s. 395.7015, F.S., relating to non-hospital health care entity assessments for deposit into the Public Medical Assistance Trust Fund. This annual assessment is 1.5 percent on the net operating revenues of ambulatory surgical centers, mobile surgical facilities, clinical laboratories, freestanding radiation therapy centers, and diagnostic imaging centers.

The bill takes effect upon becoming a law.

The bill has a fiscal impact of \$19.2 million in revenue to the state. This lost assessment revenue would need to be replaced in the state budget, or \$24.9 million drawn down in federal Medicaid matching funds would be lost, for a total annual fiscal impact of \$44.1 million.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Chapter 395, F.S., relates to hospital licensing and regulation. Part IV of ch. 395, F.S., relates to the Public Medical Assistance Trust Fund. Section 395.701, F.S., 1998 Supplement, imposes an assessment of 1.5 percent on the net operating revenue for each hospital, as determined by the Agency for Health Care Administration (AHCA), based on the actual audited data of the hospital as reported to AHCA.

Section 395.7015, F.S., 1998 Supplement, imposes an annual assessment of 1.5 percent on the net operating revenues of certain health care entities. The assessment is imposed on the following entities: ambulatory surgical centers and mobile surgical facilities licensed under s. 395.003; clinical laboratories licensed under s. 483.091 (with certain exclusions); freestanding radiation therapy centers providing treatment through the use of radiation therapy machines that are registered under s. 404.22 and rules 10D-91.902, 10D-91.903, and 10D-91.904 of the Florida Administrative Code; and diagnostic-imaging centers that provide specialized services for the identification or determination of a disease through examination and also provide sophisticated radiological services which are rendered by a physician licensed under s. 458.311, s. 458.313, s. 458.317, s. 459.006, s. 459.007, or s. 459.0075, F.S.

Chapter 98-192, L.O.F., provided an exemption from the assessment on hospital net operating revenues for outpatient radiation therapy services provided by a hospital, and provided for the elimination of the assessment on freestanding radiation therapy centers. The exemption and elimination were made contingent upon AHCA receiving written confirmation from the federal Health Care Financing Administration (HCFA) that the changes would not adversely affect the use of the remaining assessments as state match for the Medicaid program. On July 7, 1998, AHCA submitted a letter to HCFA requesting that they confirm that the provisions of chapter 98-192, L.O.F., would have no impact on the permissibility under federal rules of the remaining assessments. On December 17, 1998, HCFA requested additional information from the agency. The agency is evaluating HCFA's request to determine how best to obtain the data that the agency does not now have or how to otherwise approximate the requested information. Because the HCFA confirmation has not been received, the assessments are still in place.

All assessments collected under ss. 395.701 and 395.7015, F.S., 1998 Supplement, are deposited into the Public Medical Assistance Trust Fund. The assessments, combined with the projected revenues from cigarette taxes and interest earnings are fully utilized each year in the General Appropriations Act.

The Social Services Estimating Conference met on February 16, 1999, and adopted the following estimates for the Public Medical Assistance Trust Fund for FY 1999-2000:

Estimated revenues:	
Assessments on hospitals	\$253,300,000
Assessments on other health care entities	19,200,000
Cigarette tax distribution to PMATF	118,300,000
Interest	3,000,000
Total estimated revenues	\$393,800,000
Estimated expenditures:	
Hospital inpatient services	\$393,600,000
Administration	200,000
Total estimated expenditures	\$393,800,000
Estimated ending cash balance	\$0

B. EFFECT OF PROPOSED CHANGES:

HB 687 would repeal s. 395.7015, F.S., relating to non-hospital health care entity assessments for deposit into the Public Medical Assistance Trust Fund. This annual assessment is 1.5 percent on the net operating revenues of ambulatory surgical centers, mobile surgical facilities, clinical laboratories, freestanding radiation therapy centers, and diagnostic imaging centers.

The bill would take effect upon becoming a law.

The bill would have a fiscal impact of \$19.2 million in revenue to the state. This lost assessment revenue would need to be replaced in the state budget, or \$24.9 million drawn down in federal Medicaid matching funds would be lost, for a total annual fiscal impact of \$44.1 million.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

The bill would eliminate the requirement that affected health care providers file certain fiscal reports with AHCA, which are used solely for the purpose of determining the assessment on net operating revenues.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

None.

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No, not directly. The elimination of the assessment on health care entities will require a new source of funds to replace the eliminated revenue, or Medicaid services will be reduced by \$44.1 million.

- b. Does the bill require or authorize an increase in any fees?

No.

- c. Does the bill reduce total taxes, both rates and revenues?

Impacted health care entities will no longer be subject to an assessment of 1.5 percent on their net operating revenue, an aggregate amount that equals \$19.2 million annually.

- d. Does the bill reduce total fees, both rates and revenues?

No.

- e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

Not directly. The elimination of the assessment on health care entities will require a new source of funds to replace the eliminated revenue, or Medicaid services will be reduced by \$44.1 million. Some Medicaid recipients could see a loss of, or reduction in, services available under the Florida Medicaid Program.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

No.

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Section 395.7015, F.S.

E. SECTION-BY-SECTION ANALYSIS:

Section 1. Repeals s. 395.7015, F.S., relating to non-hospital health care entity assessments for deposit into the Public Medical Assistance Trust Fund. This annual assessment is 1.5 percent on the net operating revenues of ambulatory surgical centers, mobile surgical facilities, clinical laboratories, freestanding radiation therapy centers, and diagnostic imaging centers.

Section 2. Provides for the bill to take effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

FY 1998-99 FY 1999-00

Revenues:

Assessments on Health Care Entities
 Public Medical Assistance Trust Fund

(\$19,200,000) (\$19,200,00)

Expenditures:

Hospital Inpatient Services
 General Revenue
 Public Medical Assistance Trust Fund

\$19,200,000 \$19,200,000
 (\$19,200,000) (\$19,200,000)

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures: FY 1998-99 FY 1999-00

Revenues:

Assessments on Health Care Entities
Public Medical Assistance Trust Fund (\$19,200,000) (\$19,200,000)

Expenditures:

Hospital Inpatient Services
General Revenue \$19,200,000 \$19,200,000
Public Medical Assistance Trust Fund (\$19,200,000) (\$19,200,000)

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

The bill eliminates \$19.2 million in annual assessments on certain health care entities. To the extent that these "savings" may be passed on the private pay or commercially insured customers, these customers could experience a slight reduction in the costs for services impacted by the bill.

3. Effects on Competition, Private Enterprise and Employment Markets:

The bill eliminates the assessment on a variety of health care entities under s. 395.7015, F.S., but does not eliminate or reduce a comparable assessment on hospitals as imposed by s. 395.701, F.S. To the extent that a hospital provides the same services as the entities for which the assessment is being eliminated, a hospital may be at a competitive disadvantage.

D. FISCAL COMMENTS:

See the above comments. The impact indicated above assumes that the lost assessment revenue will be replaced by general revenue. If replacement funding is not derived from some source, total Medicaid appropriations would be reduced by a total of \$44,097,382 to maintain a budget balanced with projected revenues.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require counties or municipalities to spend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority that municipalities or counties have to raise revenue in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

The bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

The bill repeals s. 395.7015, F.S. This provision was amended by both s. 2 of ch. 98-192, L.O.F., and s. 9 of ch. 98-303, L.O.F. An argument could be made that by repealing the statute with no reference to the supplement that the supplement provision would remain in effect.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

When the Committee on Health Care Services heard this bill on April 5, 1999, the committee adopted a strike-everything amendment which:

- Deletes reference to the repeal of the assessment on non-hospital health care entities.
- Provides for the establishment of a 7-member task force to review sources of funds deposited into the Public Medical Assistance Trust Fund. Members are to be appointed by the Senate President (2), the House Speaker (2), and the Governor (3). Specific study topics include:
 - The need for any statute updates;
 - Whether current assessments are equitably imposed;
 - Whether exemption from or inclusions within the assessments are justified; and
 - A review of federal requirements relating to provider assessments.
- Directs AHCA to provide staff support and technical assistance to the task force.
- Requires the task force to convene no later than August 1, 1999, and report its findings and recommendations by December 1, 1999.

VII. SIGNATURES:

COMMITTEE ON HEALTH CARE SERVICES:

Prepared by:

Staff Director:

Phil E. Williams

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