The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Health Policy

BILL: SPB 7156

INTRODUCER: For Consideration by Health Policy Committee

SUBJECT: County Contributions to Medicaid

DATE: April 15, 2013 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Lloyd/Cote	Stovall/ Diez-Arguelles	HP	**Pre-meeting**
2.				
3.				
4.				
5.				
6.				

I. Summary:

SPB 7156 revises the current process for determining and collecting counties' contributions to the Medicaid program. For state fiscal year 2013-2014, the total amount of the counties' contribution is set at $269.6 million. For each year thereafter, the total annual amount of the counties' contribution is adjusted by the percentage change in state Medicaid expenditures. Each county is responsible for paying a portion of the annual counties' contribution based on the county's proportion of Medicaid enrollees as of March 1 of each year.

The Revenue Estimating Conference has not examined this bill. Based on current estimates of state Medicaid expenditures and collections of counties' contributions to Medicaid, staff anticipates the following annual changes to General Revenue Fund receipts: fiscal year 2013-2014: no change; fiscal year 2014-2015: $2.4 million reduction; fiscal year 2015-2016: $8.2 million reduction; fiscal year 2016-2017: $12.4 million reduction; fiscal year 2017-2018: $16.1 million reduction.

This bill substantially amends section 409.915 of the Florida Statutes.

II. Present Situation:

County Contributions to Medicaid

Chapter 72-225, Laws of Florida, created s. 409.267, F.S., which required county participation in the cost of certain services provided to county residents through Florida's Medicaid program. In 1991, s. 409.267, F.S., was repealed and replaced with s. 409.915, F.S., which provides that the state shall charge counties for certain items of care and service. Counties are required to reimburse the state for:

- 35 percent of the cost of inpatient hospitalization in excess of 10 days, not to exceed 45 days, with the exception of pregnant women and children whose income is in excess of the federal poverty level and who do not participate in the Medicaid medically needy program, and for adult lung transplant services; and
- 35 percent of the cost of nursing home or intermediate facilities in excess of $170 per month, limited to $55 per resident per month, with the exception of skilled nursing care for children under age 21.

The Agency for Health Care Administration (AHCA) provides each county with a monthly bill based on payments made on behalf of the county's residents. The amount collected from the counties is deposited into the General Revenue Fund.

For the period from state fiscal year 1994-1995 through fiscal year 2006-2007, county contributions to Medicaid collections were approximately 93 percent of total billings in any fiscal year. For fiscal year 2007-2008 through fiscal year 2011-12, county contributions to Medicaid collections dropped to less than 90 percent of total billings, with only 64.7 percent of billings billed in fiscal year 2010-2011 being paid in that year. The decline in collections was caused mainly by the inability of the AHCA and individual counties to reach agreement on whether certain Medicaid recipients were residents of the county. The decline in the amount of billings collected resulted in a large backlog of past due billings.

In 2012, the Legislature reacted to this situation by enacting ch. 2012-33, L.O.F.

Backlog Payments

Chapter 2012-33, L.O.F., amended s. 409.915, F.S., requiring that the amount of each county's billings that remained unpaid as of April 30, 2012, be deducted from the county's monthly revenue sharing distribution over a 5-year period. The amounts by which the distributions are reduced are being transferred to the General Revenue Fund.

By August 2, 2012, the AHCA certified to each county the amount of billings that remained unpaid from November 1, 2001 through April 30, 2012. A county could challenge the amount certified by filing a petition with the AHCA prior to September 1, 2012.[1] This procedure was the exclusive method to challenge the amount certified. The AHCA permitted the counties to make a full or partial payment in the form of a check or wire transfer by September 13, 2012, instead of applying reductions to the revenue sharing distributions. On September 15, 2012, the AHCA certified the amount of past billings for each county to the Department of Revenue (DOR). For counties that filed a petition, the AHCA certified 100 percent of the past due billings. For counties that did not file a petition, The AHCA certified 85 percent of the past due billings. Starting with the October 2012 distribution, DOR deducted the amount of past due billings certified by the AHCA from each county's monthly revenue sharing distribution. The deductions will continue for 5 years or until each county has paid the total amount of past due billings.

[1] A county could file a petition under the applicable provisions of Chapter 120, F.S.

Prospective Billings

Chapter 2012-33, L.O.F., also provided a new process for collecting counties' future contributions to Medicaid. Beginning May 1, 2012, and each month thereafter, the AHCA had to certify to the DOR the amount of monthly statements rendered to each county based on each county's Medicaid billings. The law provided for the DOR to reduce each county's monthly distribution from the Local Half-Cent Sales Tax Trust Fund by the amount certified by AHCA. The amounts by which the distributions were reduced were to be transferred to the General Revenue Fund.

The law also directed the AHCA to develop a process allowing counties to submit written requests for refunds. If approved, AHCA would certify to DOR the amount of the refund and DOR would issue the refund from the General Revenue Fund.

Since half of the county revenue sharing, and all of the half-cent, distributions, may be used by counties to pay debt service on bonds, the law provided an assurance to bondholders for bonds issued before July 1, 2012.

Administrative Billing and Refund Process

In order to address the counties' concerns regarding the new law, the AHCA developed a process for monthly billings which allows counties to submit both advanced and back end refund requests.[2] Counties must include the reason and provide documentation for the request. Advanced refund requests must be received by AHCA by the end of each billing month. The agency withholds certifying the amount of the advanced refund request to DOR in order to provide time to research and resolve the requests. Advanced refund requests are researched within 60 days by AHCA. Denied refund requests are certified to DOR on a subsequent bill. If a refund request is granted and the bill should have been submitted to another county, the amount will be transferred and certified by AHCA to the appropriate county on a subsequent billing. The ability for a county to make an advanced refund request will expire on April 30, 2013.

In addition to an advanced refund request, a county may submit a back end refund request within 60 days from the date of certification. Counties requesting a back end request have already paid their billing and then subsequently filed their dispute after a monthly payment. The AHCA notifies the counties whether the refund request is granted within 90 days after certification. If a back end refund request is granted, the refund will be a credit applied to a future bill and may be transferred to the appropriate county on a subsequent bill.

The AHCA also permits each county to submit payment in the form of a check or wire transfer to the agency. The payment must be received by the agency by the 5th day of the month. If the payment is not received by the agency by the 5th day of the month, the agency certifies the amount of the county billing to the DOR for withholding from monthly Local Half-Cent Sales Tax distributions.

[2] *See* Rule 59G-1.025, F.A.C., Medicaid County Billing.

County Revenue Sharing Program[3]

The Florida Revenue Sharing Act of 1972 was a major attempt by the Legislature to ensure a minimum level of revenue parity across units of local government.[4] Provisions in the enacting legislation created the Revenue Sharing Trust Fund for Counties. Currently, the trust fund receives 2.9 percent of net cigarette tax collections and 2.044 percent of sales and use tax collections.[5] An allocation formula serves as the basis for the distribution of these revenues to each county that meets the strict eligibility requirements. The county revenue sharing program is administered by the DOR and monthly distributions are made to the eligible counties.

There are three categories of shared revenues received by the counties, including the guaranteed entitlement, the second guaranteed entitlement, and a third category which includes an adjustment for growth in revenues. The guaranteed entitlement is equal to the aggregate amount received from the state in fiscal year 1971-1972 under then-existing statutory provisions. The second guaranteed entitlement is equal to the aggregate amount received from the state in fiscal year 1981-1982 under then-existing statutory provisions minus the guaranteed entitlement. The revenue is adjusted so that all counties receive at least their minimum entitlement, which means the amount of revenue necessary for a county to meet its obligations as a result of pledges, assignments, or trusts entered into which obligated Trust Fund monies. Finally, after making these adjustments, any remaining Trust Fund monies shall be distributed on the basis of additional revenue of each qualified county in proportion to the total additional revenues for qualified counties.

There are no restrictions on the use of these revenues other than a statutory limitation regarding funds that can be used as a pledge for indebtedness. Chapter 218.25, F.S., restricts the amount of funds that can be pledged for bonded indebtedness. Counties are allowed to pledge the guaranteed entitlement proceeds.[6] Additionally, the second guaranteed entitlement may also be assigned, pledged, or set aside as a trust for the payment of principal or interest on bonds, tax anticipation certificates, or any other form of indebtedness.[7] However, a county may only assign, pledge, or set aside as a trust for the payment of principal or interest on bonds, tax anticipation certificates, or any other form of indebtedness, an amount up to 50 percent of the funds received in the prior year.[8]

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[3] A full description including tables providing estimates of distributions to counties from the county revenue sharing program can be found in the 2012 Local Government Financial Handbook. See Florida Legislature, Office of Economic and Demographic Research, 2012 LOCAL GOVERNMENT FINANCIAL INFORMATION HANDBOOK, available online at <http://edr.state.fl.us/Content/local-government/reports/lgfih12.pdf>, (Last visited April 14, 2013).
[4] Chapter 72-360, L.O.F.
[5] Sections 212.20(6)(d)4. and 210.20(2)(a), F.S.
[6] Section 218.25(1), F.S.
[7] Section 218.25(2), F.S.
[8] Section 218.25(4), F.S.

Local Government Half-Cent Sales Tax Program[9]

Authorized in 1982, the local government half-cent sales tax program generates the largest amount of revenue for local governments among the state-shared revenue sources currently authorized by the Legislature.[10] The program distributes a portion of state sales tax revenue via three separate distributions to eligible county or municipal governments. Additionally, the program distributes a portion of communications services tax revenue to eligible local governments. Allocation formulas serve as the basis for these separate distributions. The program's primary purpose is to provide relief from ad valorem and utility taxes in addition to providing counties and municipalities with revenues for local programs.

The program includes three distributions of state sales tax revenues collected pursuant to ch. 212, F.S. The ordinary distribution to eligible county and municipal governments is possible due to the transfer of 8.814 percent of net sales tax proceeds to the Local Government Half-cent Sales Tax Clearing Trust Fund.[11] The emergency and supplemental distributions are possible due to the transfer of 0.095 percent of net sales tax proceeds to the Trust Fund.[12] The emergency and supplemental distributions are available to select counties that meet certain fiscal-related eligibility requirements or have an inmate population of greater than seven percent of the total county population, respectively.

As of July 1, 2006, the program includes a separate distribution from the trust fund to select counties that meet statutory criteria to qualify as a fiscally constrained county.[13] A fiscally constrained county is one that is entirely within a rural area of critical economic concern as designated by the Governor pursuant to s. 288.0656, F.S., or for which the value of one mill of property tax levy will raise no more than $5 million in revenue based on the taxable value certified pursuant to s. 1011.62(4)(a)1.a., F.S. This separate distribution is in addition to the qualifying county's ordinary distribution and any emergency or supplemental distribution.

The half-cent sales tax distribution formula is determined annually based on population figures that are established as of April 1 for the state fiscal year beginning July 1. The DOR makes monthly distributions from the Local Government Half-cent Sales Tax Clearing Trust Fund to participating counties.

A county is also authorized to pledge the proceeds for payment of principal and interest on any capital project.[14] For any eligible county receiving a fiscally constrained distribution, the revenues may be used for any public purpose, except to pay debt service on bonds, notes, certificates of participation, or any other forms of indebtedness.[15]

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[9] A full description including tables providing estimates of distributions to local governments from the half-cent sales tax program can be found in the 2012 Local Government Financial Handbook. See Florida Legislature, Office of Economic and Demographic Research, 2012 LOCAL GOVERNMENT FINANCIAL INFORMATION HANDBOOK, available online at http://edr.state.fl.us/Content/local-government/reports/lgfih12.pdf. (last visited April 15, 2013).
[10] Chapter 82-154, L.O.F.
[11] Section 212.20(6)(d)2, F.S.
[12] Section 212.20(6)(d)3, F.S.
[13] Section 218.67, F.S.
[14] Section 218.64(2)., F.S.
[15] Section 218.67(5), F.S.

Changes to Medicaid Program

The AHCA is in the process of implementing a new payment method for some Medicaid providers which utilizes diagnosis related groups (DRGs) instead of the current per diem reimbursement method. Also, the use of managed care organizations in the Medicaid program is expected to expand under the Statewide Medicaid Managed Care Program. Both of these changes will affect the current practices used to bill and collect counties' contributions to Medicaid.

III. Effect of Proposed Changes:

The bill amends s. 409.915, F.S., to revise the current process for county Medicaid billings. Instead of the current practice based on expenditures incurred on behalf of a county's residents, the bill provides for an annual contribution for Medicaid. The bill establishes a total contribution of $269.6 million for state fiscal year 2013-2014. For each year thereafter, the total annual amount of the counties' contribution is adjusted by the percentage change in state Medicaid expenditures.

Each county's annual contribution is determined by multiplying the total annual contribution for all counties by the county's proportion of Medicaid enrollees as of March 1 of each year. The AHCA is responsible for calculating the amount of each county's annual contribution and providing the information to the DOR by May 15 of each year.

By June 1 of each year, DOR must notify each county of its annual contribution. Counties must pay, via check or electronic transfer, by the 5th of each month. If a county fails to remit payment by the 5th of the month, DOR is directed to reduce the county's monthly distribution from the Local Government Half-Cent Sales Tax Trust Fund by the amount of the monthly installment. The payments and the amounts by which the distributions are reduced are transferred to the General Revenue Fund.

The amount of each county's contribution for fiscal year 2013-2014 must be determined and provided by the AHCA to the DOR by June 15, 2013. The DOR will notify each county of its annual contribution by June 20, 2013.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference has not examined this bill. Based on current estimates of state Medicaid expenditures and collections of counties' contributions to Medicaid, staff anticipates the following annual changes to General Revenue Fund receipts: fiscal year 2013-2014: no change; fiscal year 2014-2015: $2.4 million reduction; fiscal year 2015-2016: $8.2 million reduction; fiscal year 2016-2017: $12.4 million reduction; fiscal year 2017-2018: $16.1 million reduction.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Administrative costs incurred by AHCA and individual counties under the current law should be significantly lower under the provisions of the bill.

Each county will pay a portion of the total annual contribution for all counties. For fiscal year 2013-2014, the total annual contribution for all counties is $269.6 million. The estimated contribution by each county is provided on the following pages.

Fiscal Year 2013-2014 Estimated County Contributions

County	# of Medicaid enrollees as of March 1st 2013	% of Medicaid Enrollees as of March 1st 2013	Estimated Annual Contribution
ALACHUA	34,747	1.0%	$2,817,765
BAKER	5,380	0.2%	$436,284
BAY	32,774	1.0%	$2,657,767
BRADFORD	5,752	0.2%	$466,451
BREVARD	76,361	2.3%	$6,192,400
BROWARD	273,454	8.2%	$22,175,412
CALHOUN	3,071	0.1%	$249,039
CHARLOTTE	20,225	0.6%	$1,640,121
CITRUS	22,714	0.7%	$1,841,964
CLAY	24,507	0.7%	$1,987,365
COLLIER	42,313	1.3%	$3,431,320
COLUMBIA	15,157	0.5%	$1,229,138
DADE	611,997	18.4%	$49,629,135
DESOTO	7,853	0.2%	$636,829
DIXIE	3,949	0.1%	$320,239
DUVAL	170,065	5.1%	$13,791,209
ESCAMBIA	59,704	1.8%	$4,841,622
FLAGLER	14,154	0.4%	$1,147,801
FRANKLIN	2,250	0.1%	$182,461
GADSDEN	12,097	0.4%	$980,991
GILCHRIST	3,253	0.1%	$263,798
GLADES	1,183	0.0%	$95,934
GULF	2,580	0.1%	$209,222
HAMILTON	3,482	0.1%	$282,368
HARDEE	7,430	0.2%	$602,527
HENDRY	11,190	0.3%	$907,439
HERNANDO	31,358	0.9%	$2,542,938
HIGHLANDS	18,854	0.6%	$1,528,942
HILLSBOROUGH	243,293	7.3%	$19,729,543
HOLMES	5,246	0.2%	$425,418
INDIAN RIVER	19,403	0.6%	$1,573,462
JACKSON	10,618	0.3%	$861,053
JEFFERSON	2,682	0.1%	$217,493
LAFAYETTE	1,207	0.0%	$97,880
LAKE	48,588	1.5%	$3,940,183
LEE	99,617	3.0%	$8,078,317
LEON	35,277	1.1%	$2,860,744
LEVY	8,668	0.3%	$702,921
LIBERTY	1,593	0.0%	$129,182
MADISON	4,804	0.1%	$389,574
MANATEE	48,635	1.5%	$3,943,995
MARION	64,667	1.9%	$5,244,090
MARTIN	14,948	0.4%	$1,212,189
MONROE	7,432	0.2%	$602,689
NASSAU	9,841	0.3%	$798,044

County	# of Medicaid enrollees as of March 1st 2013	% of Medicaid Enrollees as of March 1st 2013	Estimated Annual Contribution
OKALOOSA	24,900	0.7%	$2,019,235
OKEECHOBEE	9,254	0.3%	$750,442
ORANGE	217,819	6.6%	$17,663,761
OSCEOLA	74,534	2.2%	$6,044,242
PALM BEACH	187,225	5.6%	$15,182,778
PASCO	75,926	2.3%	$6,157,124
PINELLAS	135,777	4.1%	$11,010,667
POLK	124,713	3.8%	$10,113,445
PUTNAM	20,473	0.6%	$1,660,232
SANTA ROSA	19,388	0.6%	$1,572,246
SARASOTA	43,652	1.3%	$3,539,905
SEMINOLE	49,023	1.5%	$3,975,459
ST. JOHNS	16,802	0.5%	$1,362,537
ST. LUCIE	50,051	1.5%	$4,058,824
SUMTER	9,541	0.3%	$773,716
SUWANNEE	9,995	0.3%	$810,532
TAYLOR	4,755	0.1%	$385,601
UNION	2,678	0.1%	$217,169
VOLUSIA	85,945	2.6%	$6,969,603
WAKULLA	4,468	0.1%	$362,327
WALTON	7,876	0.2%	$638,694
WASHINGTON	5,379	0.2%	$436,203
TOTAL	**3,324,547**	**100.0%**	**$269,600,000**

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.