

**JBC STAFF FISCAL ANALYSIS
SENATE APPROPRIATIONS COMMITTEE**

CONCERNING AUTHORITY FOR MONEYS IN THE HOSPITAL PROVIDER FEE CASH FUND GENERATED BY AN ENHANCED FEDERAL MATCH THROUGH THE 2010-11 FISCAL YEAR TO BE USED TO OFFSET GENERAL FUND EXPENDITURES IN THE MEDICAID PROGRAM.

Prime Sponsors: Senator Boyd
Representative Riesberg

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Summary of Amendments Made to the Bill After the 03/01/10 Legislative Council Staff Revised Fiscal Note Was Prepared (Amended by the Senate Health and Human Services Committee 03/03/10)

The Senate Health and Human Services Committee Report dated March 3, 2010 made a grammatical change to the bill.

JBC Staff Concurrence with Legislative Council Staff Fiscal Note

Concurs **Does Not Concur** **Updated Analysis**

Reason for the Update

Staff has updated the fiscal impact of S.B. 09-169 based on the appropriations recommended in the Joint Budget Committee's budget package. The updated analysis also assumes that the enhanced federal match rate in the American Recovery and Reinvestment Act of 2009 (ARRA) will be extended through June 30, 2011. Table 1 below summarizes the updated fiscal impact.

| Table 1: Fiscal Impact Summary for SB 10-169 | FY 2009-10 | FY 2010-11 |
|---------------------------------------------------------------------------------|-------------------|-------------------|
| <u>State Transfers or Diversions</u> | | |
| Transfer from Hospital Provider Fee Cash Fund to the Health Care Expansion Fund | \$41,400,000 | \$0 |
| <u>State Expenditures</u> | | |
| General Fund | (4,929,388) | (46,329,388) |
| Cash Fund (Hospital Provider Fee) | 4,929,388 | 46,329,388 |

Summary of Legislation

Senate Bill 10-169 allows the Hospital Provider Fee Cash Fund to offset General Fund expenditures in the amount of the additional federal funds that are received from the enhanced federal match under ARRA in both FY 2009-10 and FY 2010-11. However, in FY 2009-10 the Hospital Provider Fee Cash Fund is required to reimburse the Health Care Expansion Fund for the \$41.4 million that was

transferred to the General Fund in H.B. 10-1320 (Use of Tobacco Tax Fiscal Emergency FY 2009-10). Any funds in excess of the \$41.4 million in FY 2009-10 can then be used to offset General Fund expenditures. Staff estimates that \$4.9 million will be available in FY 2009-10 to offset General Fund expenditures. In FY 2010-11, a total of \$46.3 million in Hospital Provider Fee is estimated to be available to offset General Fund Expenditures. The calculations for these estimates are shown in the tables below.

| Table 2 -- FY 2009-10 Impacts | General Fund | Cash Funds | Federal Funds | Total Funds |
|-----------------------------------------------------------------------------------------------------|---------------------|---------------------|----------------------|----------------------|
| Pre-ARRA Costs for HB 09-1293 (for Medical Service Premiums and Safety Net Provider Payments Only)* | | | | |
| Medical Services Premiums | \$0 | \$157,080,274 | \$157,080,274 | \$314,160,548 |
| Safety Net Provider Payments | <u>0</u> | <u>138,884,984</u> | <u>138,884,984</u> | <u>277,769,968</u> |
| Total Pre-ARRA Impacts for MSP and Safety Net Provider Payments only | \$0 | \$295,965,258 | \$295,965,258 | \$591,930,516 |
| Deduct Non-ARRA Eligible Payments** | <u>0</u> | <u>(96,097,321)</u> | <u>(96,097,321)</u> | <u>(192,194,642)</u> |
| Total Payments eligible for ARRA enhanced match | \$0 | \$199,867,937 | \$199,867,937 | \$399,735,874 |
| Impact of ARRA enhanced match rate | <u>0</u> | <u>(46,329,388)</u> | <u>46,329,388</u> | <u>0</u> |
| ARRA adjusted appropriations to ARRA eligible HB 09-1293 programs | \$0 | \$153,538,549 | \$246,197,325 | \$399,735,874 |
| <hr/> | | | | |
| Provider Fee Saved from ARRA enhanced match rate | \$0 | (\$46,329,388) | \$0 | (\$46,329,388) |
| Transfer to Health Care Expansion Fund | 0 | 41,400,000 | 0 | 41,400,000 |
| Offset to General Fund Expenditures in Medical Services Premiums Line Item | <u>(4,929,388)</u> | <u>4,929,388</u> | <u>0</u> | <u>0</u> |
| Total FY 2009-10 Impact from SB 10-169 | (\$4,929,388) | \$0 | \$0 | (\$4,929,388) |

*Does not include the administrative or Children's Basic Health Plan costs from HB 09-1293. These line items are not eligible for the ARRA enhanced match rate.

**The ARRA enhanced match rate does not apply to disproportionate share payments or to expansion populations added after July 1, 2008.

The impacts in FY 2010-11 are similar to the estimates for FY 2009-10.

| Table 3 -- FY 2010-11 Impacts | General Fund | Cash Funds | Federal Funds | Total Funds |
|-----------------------------------------------------------------------------------------------------|---------------------|----------------------|----------------------|----------------------|
| Pre-ARRA Costs for HB 09-1293 (for Medical Service Premiums and Safety Net Provider Payments Only)* | | | | |
| Medical Services Premiums | \$0 | \$171,705,884 | \$171,705,884 | \$343,411,768 |
| Safety Net Provider Payments | <u>0</u> | <u>138,884,984</u> | <u>138,884,984</u> | <u>277,769,968</u> |
| Total Pre-ARRA Impacts for MSP and Safety Net Provider Payments only | \$0 | \$310,590,868 | \$310,590,868 | \$621,181,736 |
| Deduct Non-ARRA Eligible Payments** | <u>0</u> | <u>(110,722,931)</u> | <u>(110,722,931)</u> | <u>(221,445,862)</u> |
| Total Payments eligible for ARRA enhanced match | \$0 | \$199,867,937 | \$199,867,937 | \$399,735,874 |
| Impact of ARRA enhanced match rate | <u>0</u> | <u>(46,329,388)</u> | <u>46,329,388</u> | <u>0</u> |
| ARRA adjusted appropriations to ARRA eligible HB 09-1293 programs | \$0 | \$153,538,549 | \$246,197,325 | \$399,735,874 |
| <hr/> | | | | |
| Provider Fee Saved from ARRA enhanced match rate | \$0 | (\$46,329,388) | \$0 | (\$46,329,388) |
| Offset to General Fund Expenditures in Medical Services Premiums Line Item | <u>(46,329,388)</u> | <u>46,329,388</u> | <u>0</u> | <u>0</u> |
| Total FY 2009-10 Impact from SB 10-169 | (\$46,329,388) | \$0 | \$0 | (\$46,329,388) |

*Does not include the administrative or Children's Basic Health Plan costs from HB 09-1293. These line items are not eligible for the ARRA enhanced match rate.

**The ARRA enhanced match rate does not apply to disproportionate share payments or to expansion populations added after July 1, 2008.

Amendments/Appropriation Status

The bill requires but does not contain an appropriation clause. Staff has prepared amendment **J.001** (attached) to add a provision appropriating funds to the Department of Health Care Policy and Financing in FY 2009-10 and FY 2010-11 as required under the provisions in the bill. The following table shows the impacts of amendment J.001.

| Medical Services Premiums | FY 2009-10* | FY 2010-11 |
|----------------------------------------------|------------------|-------------------|
| General Fund | (\$4,929,388) | (\$46,329,388) |
| Cash Funds (Hospital Provider Fee Cash Fund) | <u>4,929,388</u> | <u>46,329,388</u> |
| Total Funds | \$0 | \$0 |

*In FY 2009-10, \$41.4 million will also be transferred from the Hospital Provider Fee to the Health Care Expansion Fund. This is a statutory transfer and does not require an appropriation.

Bill Sponsor Amendments

Staff is not aware of any sponsor amendments to be offered.

Points to Consider

The Joint Budget Committee (JBC) has introduced a balanced budget package for FY 2009-10 and FY 2010-11 based on the March 2010 Legislative Council Staff revenue forecast. The JBC has included as part of its FY FY 2009-10 budget balancing package \$4.9 million in General Fund savings from S.B. 10-169. In FY 2010-11, the JBC has included \$46.3 million in General Fund savings that would result from the passage of S.B. 10-169.