

STORAGE NAME: h0891s1.hhs

DATE: April 20, 1998

**HOUSE OF REPRESENTATIVES
AS FURTHER REVISED BY THE COMMITTEE ON
HEALTH AND HUMAN SERVICES APPROPRIATIONS
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 891

RELATING TO: Health Care/Certain Entities/Radiation Therapy

SPONSOR(S): Committee on Health Care Standards & Regulatory Reform and Representative Gay

STATUTE(S) AFFECTED: Section 395.7015, F.S.

COMPANION BILL(S): SB 1218 (s)

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

- (1) HEALTH CARE STANDARDS & REGULATORY REFORM YEAS 6 NAYS 0
- (2) FINANCE AND TAXATION(FRC) YEAS 13 NAYS 0
- (3) HEALTH AND HUMAN SERVICES APPROPRIATIONS
- (4)
- (5)

I. SUMMARY:

CS/HB 891 eliminates the provision for a 1.5 percent assessment on the net operating revenues of the freestanding radiation therapy centers and provides an exemption from the 1.5 percent assessment on revenues from outpatient radiation therapy services provided by hospitals.

According to the Agency for Health Care Administration (AHCA), the bill will reduce the assessment revenues deposited in the Public Medical Assistance Trust Fund by \$3,149,591. The reduction will require either additional General Revenue funding for Medicaid of \$3,149,591, or a reduction in Medicaid expenditures of \$7,103,272 (\$3,149,591 state share and \$3,953,681 federal share).

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Section 395.701, F.S., imposes upon each hospital defined in s. 395.001(12) an assessment equal to 1.5 percent of the annual net operating revenue for each hospital. Net operating revenue is defined as gross revenues less deductions from revenue. Gross revenue is defined as the sum of daily hospital service charges, and other operating revenue. Deductions from revenue is defined as reductions from gross revenue resulting from inability to collect payment of charges. Such reductions include bad debts; contractual adjustments; uncompensated care; administrative, courtesy, and policy discounts and adjustments; and other such revenue deductions, but also includes the offset of restricted donations and grants for indigent care. The assessments are deposited in the Public Medical Assistance Trust Fund and are used to fund a portion of the state's share of Medicaid expenditures. On February 25, 1997, the Social Services Estimating Conference adopted an estimate of \$222 million as the projected revenues in FY 1997-98 from hospital assessments.

Section 395.7015, F.S., imposes an assessment of 1.5 percent on the net operating revenues of certain health care entities. Net operating revenue is defined as gross revenues less deductions from revenue. Gross revenue is defined as the sum of daily service charges, ambulatory service charges, ancillary service charges, and other operating revenue, except revenues received for testing or analysis of samples received from outside the state or from product sales outside the state. Deductions from revenue is defined as reductions from gross revenue resulting from inability to collect payment of charges. Such reductions include bad debts; contractual adjustments; uncompensated care; administrative, courtesy, and policy discounts and adjustments; and other such revenue deductions, but also includes the offset of restricted donations and grants for indigent care. The health care entities affected are certain ambulatory surgical centers licensed under s. 395.003, F.S., clinical laboratories licensed under s. 483.091, F.S., certain freestanding radiation therapy centers, and certain diagnostic-imaging centers. Section 395.7015(2)(b)(3), F.S., provides that freestanding radiation therapy centers providing treatment through the use of radiation therapy machines that are registered under s. 404.22, F.S., and rules 10D-91.902, 10D-91.903, and 10D-91.904 of the Florida Administrative Code are facilities subject to the assessment. The assessments are deposited into the Public Medical Assistance Trust Fund and are used to fund a portion of the state's share of Medicaid expenditures. On February 25, 1997, the Social Services Estimating Conference adopted an estimate of \$16.1 million as the projected revenues in FY 1997-98 from the assessments on the four groups of health care entities.

B. EFFECT OF PROPOSED CHANGES:

CS/HB 891 eliminates the provision for a 1.5 percent assessment on the net operating revenues of the freestanding radiation therapy centers and provides an exemption from the 1.5 percent assessment on revenues from outpatient radiation therapy services provided by hospitals.

According to the Agency for Health Care Administration (AHCA), the bill will reduce the assessment revenues deposited in the Public Medical Assistance Trust Fund by \$3,149,591. The reduction will require either additional General Revenue funding for

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Medicaid of \$3,149,591, or a reduction in Medicaid expenditures of \$7,103,272 (\$3,149,591 state share and \$3,953,681 federal share).

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?

No.

(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?

N/A.

(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.

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

No.

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

Yes. The bill provides for elimination of a tax on the net operating revenues of radiation therapy centers and exempts hospital revenues generated by outpatient radiation therapy services from a tax on net operating revenues.

- 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?

No.

- 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?

No.

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

No.

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?

No.

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.

expenditures must be reduced by the amount of the reduction plus the federal matching funds. The amounts above assume that additional general revenue will be provided. IF the general revenue is not provided and the trust fund revenue is decreased, the Medicaid program will be required to reduce expenditures by \$7,103,272 (state share of \$3,149,591 and federal matching funds of \$3,953,681).

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

Freestanding radiation therapy centers will not be required to pay \$1,104,290 in annual assessments, and hospitals will not be required to pay \$2,045,301 in annual assessments that the facilities are required to pay under current law.

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

Insignificant.

D. FISCAL COMMENTS:

According to AHCA, freestanding radiation therapy centers were assessed \$1,104,290 using FY 1995 reports submitted by the facilities to AHCA.

Hospitals reported total outpatient hospital revenue for radiology-therapeutic services of \$227,255,668 for 1994. FY 1995 data is not complete. Assuming contractual discounts of 40 percent, net operating revenue is estimated to be \$136,353,401 annually. The 1.5 percent assessment on the net operating revenue would total \$2,045,301.

All revenues projected to be collected and deposited in the Public Medical Assistance Trust Fund for FY 1997-98 have been appropriated to fund a portion of the state's share of Medicaid expenditures for hospital outpatient services, offsetting general revenue that would otherwise be required to fund such services. If the Public Medical Assistance Trust Fund revenues are decreased, then additional general revenue is required in the

amount of the trust fund revenue reduction or Medicaid expenditures must be reduced by the amount of the reduction plus the federal matching funds. There is no projected unencumbered cash balance in the trust fund.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

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

B. REDUCTION OF REVENUE RAISING AUTHORITY:

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

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

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

V. COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On April 3, 1997, the Committee on Health Care Standards and Regulatory Reform adopted one amendment (with a title) which became CS/HB 891. The difference between the original bill and the Committee Substitute is that the committee substitute has eliminated the credit concept of providing a credit against the annual assessment on net operating revenues for freestanding radiation therapy centers that treat medically indigent or Medicaid patients for cancer by repealing the assessment on radiation therapy.

VII. SIGNATURES:

COMMITTEE ON HEALTH CARE STANDARDS & REGULATORY REFORM:

Prepared by:

Legislative Research Director:

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AS REVISED BY THE COMMITTEE ON FINANCE AND TAXATION:

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AS FURTHER REVISED BY THE COMMITTEE ON HEALTH AND HUMAN SERVICES
APPROPRIATIONS:

Prepared by:

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