STORAGE NAME: h0931a.hcs
DATE: March 17, 2000

HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
HEALTH CARE SERVICES
ANALYSIS

BILL #: HB 931 (PCB HCL 00-02)

RELATING TO: Public Medical Assistance

SPONSOR(S): Committee on Health Care Licensing & Regulation and Representatives Fasano & Peaden

TIED BILL(S):

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

(1) HEALTH CARE LICENSING & REGULATION YEAS 12 NAYS 0
(2) HEALTH CARE SERVICES YEAS 16 NAYS 0
(3) FINANCE & TAXATION
(4) HEALTH & HUMAN SERVICES APPROPRIATIONS
(5)

I. SUMMARY:

HB 931 eliminates the annual 1.5 percent assessment on each hospital's net operating revenues attributable to outpatient services. The bill also eliminates the annual 1.5 percent assessment on the net operating revenues of ambulatory surgical centers, clinical laboratories, and diagnostic imaging centers.

The bill increases from $1,000 to $2,000 the expenditure cap imposed annually on MedAccess and Medicaid payments for hospital outpatient services provided to adults.

The bill allows the Agency for Health Care Administration to contract with entities in Pasco or Pinellas county to provide in-home physician services to test the cost-effectiveness of providing in-home physician services to Medicaid patients who suffer from degenerative neurological diseases.

The bill requires the Legislature to appropriate annually to the Public Medical Assistance Trust Fund (PMATF) from either the General Revenue Fund or the Agency for Health Care Administration Tobacco Settlement Trust Fund sufficient funds to replace the money lost due to the elimination of the assessment. It also appropriates annually to the PMATF from the Medical Care Trust Fund sufficient funds to provide for the increased reimbursement due to the increase in the hospital outpatient cap for adults.

The bill's effective date is July 1, 2000, except that the proposed changes to s. 395.701, F.S., relating to assessments on hospital revenue, take effect only upon federal approval that the changes do not adversely affect the remaining assessments as state Medicaid matching funds.

The Public Medical Assistance Trust Fund Task Force estimated that the fiscal impact of repealing the 1.5 percent assessment on outpatient services is a total of $85 million. The task force reported that if these revenues are not replaced from an alternative funding source, the state will lose an additional $110 million in federal funds. The fiscal impact of increasing the outpatient cap for Medicaid eligible adults is $26.9 million ($11.7 million state and $15.2 million federal). The in-home physician services program is anticipated by the Agency for Health Care Administration to be budget neutral.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No []	N/A [x]
2.	Lower Taxes	Yes [x]	No []	N/A []
3.	Individual Freedom	Yes []	No []	N/A [x]
4.	Personal Responsibility	Yes []	No []	N/A [x]
5.	Family Empowerment	Yes []	No []	N/A [x]

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Public Medical Assistance Trust Fund (PMATF)

The 1984 Florida Legislature enacted the "Health Care Access Act" and the "Public Medical Assistance Act" which included the establishment of s. 395.701, F.S. This section imposes upon each hospital in Florida an assessment in an amount equal to 1.5 percent of the hospital's net operating revenue. The assessment is determined by the hospital budget review section within the Agency for Health Care Administration (AHCA) based on the financial reports each hospital is required to file with the agency. Within six months after each hospital's fiscal year end, budget review certifies the assessment to the agency's Bureau of Finance and Accounting.

The 1991 Florida Legislature created s. 395.7015, F.S., that imposed an annual assessment equal to 1.5 percent of the annual net operating revenues of certain health care entities. Section 395.7015, F.S., originally imposed the assessment on the following entities: ambulatory surgical centers and mobile surgical facilities licensed under s. 395.003, F.S.; clinical laboratories licensed under s. 483.091, F.S., (with certain exclusions); 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; 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 ss. 458.311, 458.313, 458.317, 459.006, 459.007, or 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 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. AHCA received such confirmation from HCFA, and the exemption and elimination were implemented.

Section 409.918, F.S., establishes the Public Medical Assistance Trust Fund. All assessments collected pursuant to ss. 395.701 and 395.7015, F.S., are deposited into the PMATF. The assessments, combined with the projected revenues from hospital assessments, cigarette taxes, and interest earnings are fully utilized each year in the General Appropriations Act.

The Social Services Estimating Conference met on November 1, 1999 and on February 18, 2000, and adopted the following estimates for the Public Medical Assistance Trust Fund for fiscal year 2000-01, in millions:

Estimated revenues:	Nov 1, 1999	Feb 18, 2000
Assessments on hospitals	$248.0	$248.8
Assessments on other health care entities	15.0	15.5
Cigarette tax distribution to PMATF	109.0	113.5
Interest	3.9	2.7
Total estimated revenues	$377.8	$380.5
Estimated expenditures:		
Hospital inpatient services	$377.6	$380.3
Administration	0.2	0.2
Total estimated expenditures	$377.8	$380.5
Estimated ending cash balance	$0	$0

PMATF Task Force

Section 192, ch. 99-397, L.O.F., created a seven-member task force appointed by the Governor, the Speaker of the House of Representatives, and the President of the Senate to review the sources of funds deposited in the PMATF and to determine:

- Whether any revisions of ss. 395.701, 395.7015, and 409.918, F.S., were needed;
- Whether the assessments are equitably imposed;
- Whether additional exemptions from, or inclusions within, the assessments are justified; and
- The extent to which modifications in other statutory provisions requiring deposit of certain revenue into the PMATF could result in increased trust fund revenue.

The task force was also directed to provide an analysis of the budgetary impact of any recommended exemptions from, inclusions within, or modifications to existing assessments.

The task force heard public testimony from representatives of the facilities subject to the assessment and found that, “None supported the assessment, but all of the representatives of facilities participating in the Medicaid program agreed that they could not support repeal or reduction of the assessment unless the lost revenues were replaced from another funding source.”

The task force reported that hospitals in Florida are facing increasing financial problems, “particularly [from] the impact of the federal Balanced Budget Act of 1997. The B.B.A. included reductions in the expected Medicare/Medicaid payments for the years 1998 to 2002. The majority of these reductions are in the Medicare program and affect inpatient hospital, outpatient, skilled nursing, home health, psychiatric, long term care, and managed care services.”

The Florida Hospital Association estimates a five-year reduction of $3.9 billion in payments to the state's hospitals. Hospital representatives testified that the impact of these reductions is just beginning to be felt and that unless Congress provides some relief, the nation will face an epidemic of facility closures. Also, the assessment is based on net operating revenues. Some facilities are operating at a loss and are still subject to the assessment.

The task force reported that ambulatory surgical centers, diagnostic imaging centers, and clinical laboratories had the same concerns as the hospitals, and that "the tax was a huge burden on small businesses in the state and reduced their ability to invest in new technology and services."

The task force concluded that the PMATF assessment is fundamentally unfair for the following reasons:

- It is not uniformly applied to all health care entities;
- Responsibility for indigent care is a broader societal problem and should be borne by all, not just those that provide or receive health care; and
- Economic factors that existed when the assessment was instituted in 1984, and expanded in 1991, were different from today's and consequently a larger burden is now placed on the taxed entities.

MedAccess and Medicaid Adult Outpatient Care

Section 408.904, F.S., provides that anyone enrolled in the MedAccess program is entitled to any covered service furnished within this state by a participating provider including up to $1,000 per calendar year for hospital outpatient services. (MedAccess has never been implemented.)

Section 409.905(6), F.S., requires AHCA to pay for preventive, diagnostic, therapeutic, or palliative care and other services provided to a Medicaid recipient in the outpatient portion of a hospital. Payment is limited to $1,000 per state fiscal year per adult recipient.

Section 409.908(1)(a), F.S., limits Medicaid reimbursement for hospital outpatient services to $1,000 per fiscal year per adult recipient except for renal dialysis services and for other exceptions made by AHCA. The exceptions are for services that can be safely performed in the hospital outpatient setting and are more cost-effective when done in the outpatient setting rather than in the inpatient setting.

The agency indicated that the last increase in the cap for hospital outpatient services occurred in 1987. Over the past thirteen years, the cost of medical care has risen substantially, while the level of reimbursement for hospitals providing outpatient care to adults who are eligible under Medicaid has not changed.

In-Home Physician Services

According to the Agency for Health Care Administration, the field of in-home care has grown rapidly in size, complexity, and importance. Home health care offers the advantages of maintaining individuals in the community as part of an intact family, often delaying or preventing reliance on institutional care. Improved technology has allowed more complex care to be provided in the home, extending the capabilities of health care professionals in the management of these individuals.

However, physicians often cite the current Medicaid reimbursement rate as a disincentive to more widespread involvement. The inability of medically complex individuals to receive in-home care requires them to rely on an ambulance with paramedic staff for transportation to the doctor's office.

C. EFFECT OF PROPOSED CHANGES:

This bill repeals the assessments on the portion of hospitals' net operating revenues generated by outpatient services, as well as repeals the entire assessment on ambulatory surgical centers, clinical laboratories, and diagnostic imaging centers. This bill also raises the cap for reimbursement for hospital outpatient care provided to adults eligible under Medicaid from $1,000 to $2,000 per person per year.

The repeal of the assessments mentioned above will mean that approximately $85 million in revenues to the state will be lost. Repeal of the hospital assessment will result in lost revenue of $69.5 million. Repeal of the assessment on ambulatory surgical centers, clinical labs, and diagnostic imaging centers will result in $15.5 million of lost revenue. These revenues are used by the state to obtain federal Medicaid matching funds. If they are not replaced from an alternative funding source, the state will lose an additional $110.1 million of federal funds. This will require the Medicaid program to reduce services by $195.1 million.

In order to prevent the loss of federal matching funds, the bill requires the Legislature to appropriate sufficient funds to replace the revenue lost from repealing the assessment. The bill instructs the Legislature to look to either the General Revenue Fund or the Agency for Health Care Administration Tobacco Settlement Fund as an alternative funding source.

The increase in the annual cap on Medicaid hospital outpatient services for adults from $1,000 to $2,000 is estimated by AHCA to cost $26.9 million. The state will provide $11.7 million and the federal government will provide the remaining $15.2 million in matching funds. This bill appropriates each year sufficient funds to provide for the increased reimbursement to hospitals from the Medical Care Trust Fund to the PMATF.

The bill provides authority for the agency to contract with an entity in Pasco or Pinellas County that provides in-home physician services to Medicaid recipients with degenerative neurological diseases, in order to test the cost-effectiveness of enhanced home-based medical care. The reimbursement for such services must be at a rate not less than comparable Medicare rates. The agency is authorized to apply for any federal waivers necessary to implement the program. The program will be repealed on July 1, 2002. It is assumed that the services will be required to be at least budget neutral under any federal waiver, therefore there is no fiscal impact on the Medicaid program.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 395.701(2), F.S., relating to PMATF hospital assessments, to eliminate the 1.5 percent annual assessment on hospital outpatient services. Provides that the annual assessment on hospitals to fund the PMATF is based on the annual net operating revenues for inpatient services only.

Section 2. Repeals s. 395.7015, F.S., to eliminate the 1.5 percent annual assessment on ambulatory surgical centers and mobile surgical facilities, clinical laboratories, and diagnostic imaging centers.

Section 3. Amends s. 408.904(2)(c), F.S., relating to hospital outpatient services as a covered service under the MedAccess program, to increase the cap on outpatient services provided to adults under MedAccess from $1,000 to $2,000 per year. [Note: This program has never been implemented.]

Section 4. Amends s. 409.905(6), F.S., relating to hospital outpatient services as a mandatory Medicaid service, to increase the cap on outpatient services provided to adults under Medicaid from $1,000 to $2,000 per year.

Section 5. Amends s. 409.908(1)(a), F.S., relating to Medicaid reimbursement for hospital services, to increase the cap on outpatient services provided to adults under Medicaid from $1,000 to $2,000 per year.

Section 6. Amends s. 409.912, F.S., relating to AHCA's authority to contract for cost-effective health care services, to allow AHCA to contract with an entity in Pasco or Pinellas county that provides in-home physician services to Medicaid patients with degenerative neurological diseases. Provides that the entity providing the services is to be reimbursed at a rate not less than comparable Medicare reimbursement rates. Allows AHCA to apply for federal waivers necessary to implement the program. Provides for repeal of the section on July 1, 2002.

Section 7. Requires the Legislature to appropriate each fiscal year funds from either the General Revenue Fund or the Agency for Health Care Administration Tobacco Settlement Trust Fund to the PMATF in an amount sufficient to replace the funds lost due to the repeal of the assessment on hospital outpatient services and other health care entities. Requires the Legislature to maintain federal approval of the monies collected under the reduced assessment to be used as state match for the state's Medicaid program.

Section 8. Appropriates each year from the Medical Care Trust Fund to the PMATF sufficient funds to provide for the increased reimbursement to hospitals for outpatient services provided to adults under Medicaid.

Section 9. Provides an effective date of July 1, 2000, providing that the amendment to s. 395.701, F.S., shall only take effect upon AHCA receiving written confirmation from HCFA that the changes contained in the amendment will not adversely affect the use of the remaining assessments as state match in obtaining federal funds for the Medicaid program.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See Fiscal Comments Section.

2. Expenditures:

See Fiscal Comments Section.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Direct Private Sector Benefits:

According to information provided by the Agency for Health Care Administration, assessments on hospitals will be decreased by an estimated $69.5 million per year and Medicaid reimbursements for hospital outpatient services will increase by an estimated $26.9 million per year. Other health care entities will benefit from an elimination of the $15.5 million PMATF assessment.

Entities that provide in-home physician services to Medicaid patients with degenerative neurological diseases will be able to contract with the agency and will be reimbursed at a rate not less than comparable Medicare reimbursement rates.

Effects on Competition, Private Enterprise and Employment Markets:

The Agency for Health Care Administration suggests that the elimination of the assessment on outpatient hospital services should create a more equitable financial situation between hospital providers and other non-hospital providers of outpatient services.

D. FISCAL COMMENTS:

This bill does not provide a specific appropriations. The repeal of the assessment on ambulatory surgical centers and mobile surgical facilities, clinical laboratories, and diagnostic imaging centers and the reduction of the assessment on hospitals will result in lost revenue by the state of $85 million. These funds will have to be replaced in order to retain the current level of federal matching funds for the state's Medicaid program. The bill requires the Legislature to appropriate the necessary funds from either the General Revenue Fund or the Agency for Health Care Administration Tobacco Settlement Trust Fund to the Public Medical Assistance Trust Fund.

The increase in the cap on hospital outpatient services for adults under Medicaid is estimated by AHCA to cost $26.9 million. The state will provide $11.7 million and the federal government will provide $15.2 million in matching funds. The bill appropriates from the Medical Care Trust Fund to the Public Medical Assistance Trust Fund sufficient dollars to cover the increased reimbursement to health care providers due to the increase in the hospital outpatient cap for adults.

While the bill proposes to increase the annual Medicaid adult hospital outpatient services cap from $1,000 to $2,000, the Governor's budget request proposed to increase the cap from $1,000 to $1,500.

The creation of the pilot program for in-home physician services is estimated to be budget neutral. The additional expense of reimbursing the service providers will be offset by savings from eliminating the need to use ambulances and trained paramedics while transporting Medicaid patients with degenerative neurological diseases.

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 expend funds or take 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:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

A decision will need to be made whether to increase the annual Medicaid hospital outpatient services cap from $1,000 to $1,500 as proposed by the Governor's Legislative Budget Request, or to $2,000 as proposed by the bill.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

When the Committee on Health Care Services heard this bill on March 16, 2000, the committee adopted two amendments, both of which were requested by the Agency for Health Care Administration.

Amendment 1 (page 6, lines 7 and 18-19) deletes the requirement that appropriated replacement revenue be deposited into the Public Medical Assistance Trust Fund.

Amendment 2 (page 6, lines 17 & 18) specifies that General Revenue or the AHCA Tobacco Settlement Trust Fund, rather than the Medical Care Trust Fund, be used as the

source of appropriations to fund the increase in the adult hospital outpatient services cap.

VII. SIGNATURES:

COMMITTEE ON HEALTH CARE LICENSING & REGULATION:

Prepared by:	Staff Director:
Andrew “Andy” Palmer	Lucretia Shaw Collins

AS REVISED BY THE COMMITTEE ON HEALTH CARE SERVICES:

Prepared by:	Staff Director:
Phil E. Williams	Phil E. Williams