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 Appropriations

BILL: CS/SB 1884

INTRODUCER: Appropriations Committee; and Health Policy Committee

SUBJECT: County Medicaid Contributions

DATE: April 25, 2013 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Lloyd/Cote	Stovall/ Diez-Arguelles		**HP SPB 1756 as introduced**
2.	Cote	Hansen	AP	**Fav/CS**
3.				
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

A. COMMITTEE SUBSTITUTE..... [X] Statement of Substantial Changes
B. AMENDMENTS........................ [ ] Technical amendments were recommended
[ ] Amendments were recommended
[ ] Significant amendments were recommended

I. Summary:

CS/SB 1884 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. For Fiscal Year 2013-2014, each county’s share is based on actual payments made during Fiscal Year 2012-2013. The bill provides a seven-year period to transition from county shares based on past billing data to county shares based on the number of Medicaid enrollees. In Fiscal Year 2019-2020 and thereafter, each county’s share will be based on the county’s proportion of Medicaid enrollees as of March 1 of each year.

The Revenue Estimating Conference estimated the following annual changes to General Revenue Fund receipts: Fiscal Year 2013-2014: no change; Fiscal Year 2014-2015: $11.3 million reduction; Fiscal Year 2015-2016: $12.9 million reduction; Fiscal Year 2016-2017: $16.4 million reduction; Fiscal Year 2017-2018: $20.4 million reduction. See Section V.

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 In 1991, s. 409.267, F.S., was repealed and replaced with s. 409.915, F.S., which provides that the state shall charge counties for certain items of care and service.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 each fiscal year. For Fiscal Year 2007-2008 through Fiscal Year 2011-2012, 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 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, 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 AHCA prior to September 1, 2012.[1] This procedure was the exclusive method to challenge the amount certified. 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, AHCA certified the amount of past billings for each county to the Department of Revenue (DOR). For counties that filed a petition, AHCA certified 100 percent of the past due billings. For counties that did not file a petition, 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 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.

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, AHCA had to certify to DOR the amount of monthly statements rendered to each county based on each county's Medicaid billings. The law provided for 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 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.

Administrative Billing and Refund Process

In order to address the counties' concerns regarding the new law, 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. 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.

[1] A county could file a petition under the applicable provisions of Chapter 120, F.S.
[2] *See* Rule 59G-1.025, F.A.C., Medicaid County Billing.

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 DOR for withholding from monthly Local Half-Cent Sales Tax distributions.

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 DOR and monthly distributions are made to the eligible counties.

Local Government Half-Cent Sales Tax Program[6]

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.[7] 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.

Changes to Medicaid Program

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.

[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] 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).
[7] Chapter 82-154, L.O.F.

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 is responsible for paying a portion of the annual counties' contribution. Each county's contribution is determined by weighing both the county's percentage share based on six months of billing data and the county's percentage share based on the proportion of Medicaid enrollees as of March 1 of each year. Over time, increasing weight will be given to shares based on Medicaid enrollees such that in Fiscal Year 2019-2020 and thereafter, the county's share will be based on the county's proportion of Medicaid enrollees. The Agency for Health Care Administration (AHCA) is responsible for calculating the proportion of Medicaid enrollees in each county and providing the information to DOR by May 15 of each year.

By February 1st of each year, AHCA must report to the President of the Senate and the Speaker of the House of Representatives the status of all county billings made from April 1, 2012 through March 31, 2013. Once a final accounting has been completed by AHCA and all county protest rights have expired, the county percentage shares based on six months of actual billing data will be replaced with the county percentage shares based on twelve months of actual billing data. If a court invalidates the replacement of each county's shares, the county shares based on six months of billing data will continue to apply.

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 AHCA to DOR by June 15, 2013. 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 estimated the following annual changes to General Revenue Fund receipts: Fiscal Year 2013-2014: no change; Fiscal Year 2014-2015: $11.3 million reduction; Fiscal Year 2015-2016: $12.9 million reduction; Fiscal Year 2016-2017: $16.4 million reduction; Fiscal Year 2017-2018: $20.4 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 SB 1884.

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. On the table in the following pages, the estimated contribution in Fiscal Year 2013-2014 for all counties is provided. However, over a seven-year period, each county’s contribution will transition from percentage shares based on actual billing data to percentage shares based on Medicaid enrollees.

Fiscal Year 2013-2014 Estimated County Contributions

County	% share based on 6 months of actual AHCA billing data	FY 2013-14 Estimated Contribution
ALACHUA	1.278%	$3,445,488
BAKER	0.116%	$312,736
BAY	0.607%	$1,636,472
BRADFORD	0.179%	$482,584
BREVARD	2.471%	$6,661,816
BROWARD	9.226%	$24,873,296
CALHOUN	0.084%	$226,464
CHARLOTTE	0.578%	$1,558,288
CITRUS	0.663%	$1,787,448
CLAY	0.635%	$1,711,960
COLLIER	1.160%	$3,127,360
COLUMBIA	0.557%	$1,501,672
DADE	18.850%	$50,819,600
DESOTO	0.167%	$450,232
DIXIE	0.098%	$264,208
DUVAL	5.336%	$14,385,856
ESCAMBIA	1.614%	$4,351,344
FLAGLER	0.397%	$1,070,312
FRANKLIN	0.091%	$245,336
GADSDEN	0.239%	$644,344
GILCHRIST	0.078%	$210,288
GLADES	0.055%	$148,280
GULF	0.076%	$204,896
HAMILTON	0.075%	$202,200
HARDEE	0.110%	$296,560
HENDRY	0.163%	$439,448
HERNANDO	0.862%	$2,323,952
HIGHLANDS	0.468%	$1,261,728
HILLSBOROUGH	6.952%	$18,742,592
HOLMES	0.101%	$272,296
INDIAN RIVER	0.397%	$1,070,312
JACKSON	0.218%	$587,728
JEFFERSON	0.083%	$223,768
LAFAYETTE	0.014%	$37,744
LAKE	1.525%	$4,111,400
LEE	2.511%	$6,769,656
LEON	0.929%	$2,504,584
LEVY	0.256%	$690,176
LIBERTY	0.050%	$134,800
MADISON	0.086%	$231,856
MANATEE	1.622%	$4,372,912

County	% share based on 6 months of actual AHCA billing data	FY 2013-14 Estimated Contribution
MARION	1.629%	$4,391,784
MARTIN	0.352%	$948,992
MONROE	0.262%	$706,352
NASSAU	0.240%	$647,040
OKALOOSA	0.566%	$1,525,936
OKEECHOBEE	0.235%	$633,560
ORANGE	6.680%	$18,009,280
OSCEOLA	1.613%	$4,348,648
PALM BEACH	5.898%	$15,901,008
PASCO	2.391%	$6,446,136
PINELLAS	6.644%	$17,912,224
POLK	3.642%	$9,818,832
PUTNAM	0.417%	$1,124,232
SANTA ROSA	0.466%	$1,256,875
SARASOTA	1.230%	$3,316,080
SEMINOLE	1.739%	$4,688,344
ST. JOHNS	0.459%	$1,237,464
ST. LUCIE	1.154%	$3,111,184
SUMTER	0.218%	$587,728
SUWANNEE	0.252%	$679,392
TAYLOR	0.103%	$277,688
UNION	0.075%	$202,200
VOLUSIA	2.298%	$6,195,408
WAKULLA	0.103%	$277,688
WALTON	0.229%	$617,384
WASHINGTON	0.114%	$307,344
TOTAL	**99.98%**	**$269,562,795**

VI. Technical Deficiencies:

It is not clear which agency is responsible for calculating each county's annual contribution. The bill should clarify that the Agency for Healthcare Administration is responsible for calculating each county's shares and providing the information to the Department of Revenue.

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.)

CS by Appropriations on April 23, 2013:

Compared to the bill, the committee substitute provides that, for Fiscal Year 2013-2014, each county's share is based on actual payments made during Fiscal Year 2012-2013. The CS also provides a seven-year period to transition from county shares based on past billing data to county shares based on the number of Medicaid enrollees in each county.

B. Amendments:

None.