

HF2564 - 1A - "Ambulance & Emerg Services Tax Exemption"

Chief Author: **Nick Zerwas**
 Committee: **Health and Human Services Finance**
 Date Completed: **03/16/2016**
 Lead Agency: **Human Services Dept**
 Other Agencies:
 Revenue Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium		Biennium	
Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept					
General Fund	-	-	(442)	(556)	(607)
Health Care Access	-	-	(205)	(245)	(264)
State Total					
General Fund	-	-	(442)	(556)	(607)
Health Care Access	-	-	(205)	(245)	(264)
Total	-	-	(647)	(801)	(871)
Biennial Total			(647)		(1,672)

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept					
General Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
Total	-	-	-	-	-

Lead Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.
 This fiscal note only reflect estimated changes in agency expenditures that will result from this bill. Estimates of changes in tax revenue will be presented in a Revenue Note prepared by the Department of Revenue for the Tax Committee.

EBO Signature: Ahna Minge Date: 03/16/2016
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018
					FY2019
Human Services Dept					
General Fund	-	-	(442)	(556)	(607)
Health Care Access	-	-	(205)	(245)	(264)
Total	-	-	(647)	(801)	(871)
Biennial Total			(647)		(1,672)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Human Services Dept					
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Health Care Access	-	-	(205)	(245)	(264)
Total	-	-	(647)	(801)	(871)
Biennial Total			(647)		(1,672)
2 - Revenues, Transfers In*					
Human Services Dept					
General Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

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Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue	X	
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Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2015	FY2016	FY2017	FY2018	FY2019
Total		-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Susan Earle Date: 3/15/2016 2:30:10 PM
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Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

The bill as amended would exclude ambulance services and medical response groups from the MinnesotaCare Provider Tax. Effective for gross revenues received after June 30, 2016.

Assumptions

The Department of Revenue (DOR) will mail letters to an estimated 300 ambulance services and medical response units to notify them of the law change. DOR will update tax forms and instructions, instructional materials and website content. The administrative impact of this work is minimal.

Expenditure and/or Revenue Formula

An estimate of revenue impact is not included in this fiscal note. The Department of Revenue prioritizes revenue estimate requests for bills before the Tax Committee and will provide one for this bill when it is before Tax Committee.

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Lisa Knops 651-556-6754

Agency Fiscal Note Coordinator Signature: Lisa Knops

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General Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Ahna Minge Date: 3/16/2016 11:52:13 AM
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State Cost (Savings) Calculation Details

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2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Health Care Access	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

This legislation as amended exempts revenues received for providing ambulance services from the 2 percent tax on the gross revenues of most health care providers in Minnesota for all revenue received after July 1, 2016.

Assumptions

Prior to 2004, revenues from health services provided to recipients of Medical Assistance, MinnesotaCare, and General Assistance Medical Care were exempt from the two percent provider tax under Minnesota Statutes 295.50. Legislation from 2003 ended this exemption, and required the Department of Human Services to add two percent to the Medical Assistance and MinnesotaCare payments to providers for all services producing revenue subject to the provider tax. Managed care organizations were also required to add two percent to the provider payment for applicable services provided to MA or MinnesotaCare recipients, and DHS increased managed care capitation rates to cover the cost of the higher payments to providers.

Because the two percent rate add-on applies to health care services that produce revenue subject to the provider tax, exempting revenue for ambulance services from the tax would result in DHS no longer paying the two percent rate add-on for ambulance services in fee for service or including the value of the two percent rate add-on for these services in the managed care capitation rates. Based on department data for FY2015, elimination of the provider tax add-on implies a 1.75% rate reduction from current law expenditures on ambulance services as revenue from some claims in this service category is exempt from the tax. The fiscal estimate assumes a July 2016 effective date for these changes.

This rate change will require adjustments to DHS claims payment systems. The cost of the IT work required to implement this change is included in this estimate.

Expenditure and/or Revenue Formula

	FY 2016	FY 2017	FY 2018	FY 2019
Months of fiscal effects:				

	FY 2016	FY 2017	FY 2018	FY 2019
(Assumes a 2 month lag for FFS)				
Fee for service	0	10	12	12
Managed care	0	11	12	12
February 2016 Forecast	FY 2016	FY 2017	FY 2018	FY 2019
Medical Assistance				
FFS selected services				
MA Elderly and Disabled	\$9,269,667	\$9,921,828	\$10,607,980	\$11,328,846
MA Adults without Kids	\$8,311,554	\$8,611,760	\$8,916,043	\$9,233,955
MA Families with Children	\$6,493,119	\$6,779,593	\$7,101,573	\$7,435,404
February 2016 Forecast	FY 2016	FY 2017	FY 2018	FY 2019
Medical Assistance				
Managed care: proportion for selected services				
MA Elderly and Disabled	\$16,004,448	\$13,891,440	\$14,147,771	\$15,114,402
MA Adults without Kids	\$33,087,007	\$31,879,965	\$32,823,338	\$34,305,209
MA Families with Children	\$25,647,893	\$24,572,667	\$25,243,244	\$26,415,768
February 2016 Forecast	FY 2016	FY 2017	FY 2018	FY 2019
MinnesotaCare				
Managed care: proportion for selected services	\$10,764,563	\$12,801,822	\$13,399,272	\$14,012,611
Impact of Rate Increase				
Medical Assistance	FY 2016	FY 2017	FY 2018	FY 2019
MA Elderly and Disabled FFS	\$0	-\$144,693	-\$185,640	-\$198,255
MA Elderly and Disabled HMO	\$0	-\$222,842	-\$247,586	-\$264,502
MA Elderly and Disabled HMO perf. pmt.		\$0	-\$11,304	-\$20,633
Total	\$0	-\$367,535	-\$444,529	-\$483,390
Federal share %	50.00%	50.00%	50.00%	50.00%
Federal share	\$0	-\$183,768	-\$222,265	-\$241,695
State Share	\$0	-\$183,768	-\$222,265	-\$241,695
MA Adults w. no Children FFS	\$0	-\$125,588	-\$156,031	-\$161,594
MA Adults w. no Children HMO	\$0	-\$511,408	-\$574,408	-\$600,341
MA Adults w. no Children HMO perf. pmt		\$0	-\$25,941	-\$47,666
Total	\$0	-\$636,996	-\$756,380	-\$809,601
Federal share %	100.00%	97.50%	94.50%	93.50%
Federal share	\$0	-\$621,071	-\$714,779	-\$756,977
State Share	\$0	-\$15,925	-\$41,601	-\$52,624

	FY 2016	FY 2017	FY 2018	FY 2019
MA Families with Children FFS	\$0	-\$98,869	-\$124,278	-\$130,120
MA Families with Children HMO	\$0	-\$394,187	-\$441,757	-\$462,276
MA Families with Children HMO perf. pmt		\$0	-\$19,995	-\$35,591
Total	\$0	-\$493,056	-\$586,029	-\$627,987
Federal share %	50.00%	50.00%	50.00%	50.00%
Federal share	\$0	-\$246,528	-\$293,015	-\$313,993
State Share	\$0	-\$246,528	-\$293,015	-\$313,993
Total MA State Share	\$0	-\$446,220	-\$556,880	-\$608,312
MinnesotaCare	FY 2016	FY 2017	FY 2018	FY 2019
Impact of rate increase				
Mncare HMO	\$0	-\$205,363	-\$234,487	-\$245,221
Mncare HMO Perf. Pmt.		\$0	-\$10,417	-\$18,763
Total	\$0	-\$205,363	-\$244,904	-\$263,983

Fiscal Tracking Summary (\$000s)						
Fund	BACT	Description	FY2016	FY2017	FY2018	FY2019
33	GF	MA Grants		(446)	(557)	(608)
31	HCAF	MinnesotaCare Grants		(205)	(245)	(264)
33	GF	Systems (MMIS @ .29)		4	1	1
		Total Net Fiscal Impact		(647)	(801)	(871)
		Full Time Equivalents				

Long-Term Fiscal Considerations

None

Local Fiscal Impact

None

References/Sources

DHS February 2016 Forecast

DHS Reports & Forecasts Division

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