

**HF641 - 0 - "Intergovt Transfers and Payment Exemption"**

Chief Author: **Matt Dean**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **03/02/2017**  
 Agency: **Human Services 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	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	4,988	5,277	5,192	5,169	
<b>Total</b>	<b>-</b>	<b>4,988</b>	<b>5,277</b>	<b>5,192</b>	<b>5,169</b>	<b>5,169</b>
<b>Biennial Total</b>			<b>10,265</b>			<b>10,361</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	.5	-	-	-
<b>Total</b>	<b>-</b>	<b>.5</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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: 3/2/2017 12:17:12 PM  
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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.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021	
General Fund	-	4,988	5,277	5,192	5,169	
<b>Total</b>	<b>-</b>	<b>4,988</b>	<b>5,277</b>	<b>5,192</b>	<b>5,169</b>	<b>5,169</b>
<b>Biennial Total</b>			<b>10,265</b>			<b>10,361</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	(2,431)	(2,716)	(2,748)	(2,771)	
<b>Total</b>	<b>-</b>	<b>(2,431)</b>	<b>(2,716)</b>	<b>(2,748)</b>	<b>(2,771)</b>	<b>(2,771)</b>
<b>Biennial Total</b>			<b>(5,147)</b>			<b>(5,519)</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	(7,419)	(7,993)	(7,940)	(7,940)	
<b>Total</b>	<b>-</b>	<b>(7,419)</b>	<b>(7,993)</b>	<b>(7,940)</b>	<b>(7,940)</b>	<b>(7,940)</b>
<b>Biennial Total</b>			<b>(15,412)</b>			<b>(15,880)</b>

### Bill Description

This bill exempts revenue from certain Medical Assistance payments for hospital services from a 1.56 percent surcharge on net patient revenues. The bill also repeals an intergovernmental transfer from Hennepin County to DHS and the related supplemental MA payment to Hennepin County Medical Center which is made through managed care organizations serving MA recipients.

### Assumptions

This bill eliminates an intergovernmental transfer under Minnesota Statutes 256B.19 from Hennepin County to DHS of approximately \$6.8 million dollars each year. These funds provides the nonfederal share of an MA payment to Hennepin County Medical Center. Under current state law, DHS increases managed care payments to a health plan serving Hennepin County by the amount of this transfer. The MA payment generates federal Medicaid funds which are deposited in the state General Fund.

This bill repeals the IGT and the MA payment rate increase upon enactment of the legislation. The fiscal effect is savings from the state share of the \$6.8 million dollar MA payment and a loss of revenue to the State General Fund.

State law directs DHS to make supplemental MA payments to Regions Hospital and Hennepin County Medical Center for outpatient, hospital, physician and professional services, and ambulance services. Hennepin and Ramsey County provide the nonfederal share of these MA payments which are subject to federal limits. Annual supplemental payments to HCMC and Regions are estimated at \$80.8 million dollars.

This legislation exempts revenue from these supplemental MA payments received on or after July 1, 2016 from the 1.56 percent surcharge on net patient revenue described in Minnesota Statutes 256.9657. DHS currently invoices hospitals for this surcharge using hospital revenue reported to the Minnesota Department of Health. Revenues collected from the surcharge are deposited in the State General Fund.

Hospital surcharge payments to DHS are made in nine monthly installments between October and June and are based on revenues from the previous calendar year. This bill exempts revenue from supplemental payments for half of calendar year 2016 which would result in lower surcharge collections starting in FY2018. This estimate assumes a reduction in FY2018 revenue from exempting half of the supplemental payments in 2016 from the surcharge (.0156 \* \$40.4 million) and reductions in FY2019-21 from exempting the full value of supplemental payments (.0156 \* \$80.8 million). Revenue from the \$6.8 million dollar payment to HCMC is removed from the total subject to the surcharge starting in FY2019 to reflect the repeal of the IGT and MA payment. The net result of this exemption is a reduction in non-dedicated revenue to the general fund.

This legislation requires a mid-year change in managed care capitation payments and reconciliation with multiple health plans who pay the \$6.8 million supplemental payment to Hennepin County Medical Center on claims for hospital services. This reconciliation will require additional federal reporting and DHS will incur additional actuarial costs related to recertify managed care rates. The one time actuarial costs for additional rate setting and the cost for temporary staff (0.5 FTE salary, benefits and pro-rated overhead costs) to do this work are reflected in this estimate.

**Expenditure and/or Revenue Formula**

<b>Minnesota</b>				
<b>MEDICAL ASSISTANCE</b>				
Fiscal Analysis of a Proposal to End Intergovernmental Transfer from Hennepin County				
<b>Effective July 2017.</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Total change in GME add-on	(\$6,792,000)	(\$6,792,000)	(\$6,792,000)	(\$6,792,000)
Portion of MA payments for adults with no kids - 23%	(\$1,562,160)	(\$1,562,160)	(\$1,562,160)	(\$1,562,160)
June pmt. delay causes 5 mos. pmt. in FY 2018	(\$1,431,980)	(\$1,562,160)	(\$1,562,160)	(\$1,562,160)
Total effect on MA payments	(\$1,431,980)	(\$1,562,160)	(\$1,562,160)	(\$1,562,160)
Federal share %	94.50%	93.50%	91.50%	90.00%
Federal share %	(\$1,353,221)	(\$1,460,620)	(\$1,429,376)	(\$1,405,944)
State share	(\$78,759)	(\$101,540)	(\$132,784)	(\$156,216)
Portion of Other MA payments - 77%	(\$5,229,840)	(\$5,229,840)	(\$5,229,840)	(\$5,229,840)
June pmt. delay causes 5 mos. pmt. in FY 2018	(\$4,794,020)	(\$5,229,840)	(\$5,229,840)	(\$5,229,840)
Total effect on MA payments	(\$4,794,020)	(\$5,229,840)	(\$5,229,840)	(\$5,229,840)
Federal share %	50.00%	50.00%	50.00%	50.00%
Federal share %	(\$2,397,010)	(\$2,614,920)	(\$2,614,920)	(\$2,614,920)
State share	(\$2,397,010)	(\$2,614,920)	(\$2,614,920)	(\$2,614,920)
<b>Total MA State share</b>	<b>(\$2,475,769)</b>	<b>(\$2,716,460)</b>	<b>(\$2,747,704)</b>	<b>(\$2,771,136)</b>
<b>General Fund revenue effect</b>	<b>(\$6,792,000)</b>	<b>(\$6,792,000)</b>	<b>(\$6,792,000)</b>	<b>(\$6,792,000)</b>
<b>Net General Fund Cost</b>	<b>\$4,316,231</b>	<b>\$4,075,540</b>	<b>\$4,044,296</b>	<b>\$4,020,864</b>
<b>Impact of New Hospital Surcharge Definition</b>				
	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Avg annual supplemental payment revenue currently subject to hospital	80,400,000	80,400,000	80,400,000	80,400,000

surcharge				
Phase-in	50.00%	100.00%	100.00%	100.00%
Supplemental pmt revenue subject to surcharge	40,200,000	80,400,000	80,400,000	80,400,000
Repeal of IGT (effective July 2017)		-3,396,000	-6,792,000	-6,792,000
Net supplemental pmt revenue subject to surcharge	40,200,000	77,004,000	73,608,000	73,608,000
Percent change in surcharge revenue	-1.56%	-1.56%	-1.56%	-1.56%
Change in hospital surcharge revenue	-627,120	-1,201,262	-1,148,285	-1,148,285
<b>General Fund non-dedicated revenue effect</b>	<b>\$627,120</b>	<b>\$1,201,262</b>	<b>\$1,148,285</b>	<b>\$1,148,285</b>

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2018	FY2019	FY2020	FY2021
GF	REV2	Non Dedicated Revenue	7,419	7,993	7,940	7,940
GF	33	MA Grants	(2,476)	(2,716)	(2,748)	(2,771)
GF	13	HCA Admin (.5 FTE)	45			
GF	13	HCA Admin (Actuarial Contract)	25			
GF	REV1	FFP @ 35%	(25)			
		<b>Total Net Fiscal Impact</b>	<b>4,988</b>	<b>5,277</b>	<b>5,192</b>	<b>5,169</b>
		<b>Full Time Equivalents</b>				

### Long-Term Fiscal Considerations

Fiscal effects from the lost non dedicated revenue to the State General Fund continue beyond the forecast horizon.

### Local Fiscal Impact

The nonfederal share of the \$6.8 million supplemental MA payments described in this fiscal note are transferred from Hennepin County government in monthly installments of \$566,000. These funds are matched with federal Medicaid funds and returned to the county. This legislation would end those transfers effective July of 2017.

### References/Sources

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