

STORAGE NAME: h0055s1.frc.doc
DATE: February 20, 2001

**HOUSE OF REPRESENTATIVES
AS FURTHER REVISED BY THE
FISCAL RESPONSIBILITY COUNCIL
ANALYSIS**

BILL #: CS/HB 55
RELATING TO: Public Medical Assistance
SPONSOR(S): Fiscal Responsibility Council and Representative Fasano
TIED BILL(S):

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

- (1) HEALTH & HUMAN SERVICES APPROPRIATIONS YEAS 12 NAYS 0
- (2) FISCAL POLICY & RESOURCES YEAS 11 NAYS 0
- (3) FISCAL RESPONSIBILITY COUNCIL YEAS 18 NAYS 1
- (4)
- (5)

SUMMARY:

- 1) Reduces the annual assessment on each hospital's annual net operating revenues attributable to outpatient services from 1.0 percent to 0.5 percent. Hospital net operating revenues attributable to inpatient services will continue to be subject to the assessment at 1.5 percent. The fiscal impact of this provision is a \$28.8 million reduction in assessment revenues to the Public Medical Assistance Trust Fund (PMATF).
- 2) Reduces the annual assessment on the net operating revenues of ambulatory surgical centers, clinical laboratories, and diagnostic-imaging centers from 1.0 percent to 0.5 percent. The fiscal impact of this provision is a \$5.35 million reduction in assessment revenues to the PMATF.
- 3) Provides that the Legislature shall provide an annual appropriation from the General Revenue Fund or the Agency for Health Care Administration Tobacco Settlement Trust Fund in an amount sufficient to replace the funds lost due to the reduction in the rate of assessments on health care facilities.

SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

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, the budget review section certifies the assessment to the agency 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. For several years in the mid 1990's appropriations from the PMATF were made to certain of these facilities. Later, solely for simplification of the budget, PMATF appropriations were consolidated into a single item – Hospital Inpatient. The entities that had previously received PMATF appropriations, received increased appropriations from other sources to hold them harmless from this budget simplification.

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.

The 2000 Florida Legislature reduced the 1.5 percent assessment on hospital outpatient services and health care facilities to 1.0 percent.

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.

C. EFFECT OF PROPOSED CHANGES:

This bill reduces the assessments on the portion of hospitals' net operating revenues generated by outpatient services from 1.0 percent to 0.5 percent. It also reduces the assessment on ambulatory surgical centers, clinical laboratories, and diagnostic imaging centers from 1.0 percent to 0.5 percent.

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 reducing the assessment. The bill instructs the Legislature to use either the General Revenue Fund or the Agency for Health Care Administration Tobacco Settlement Fund as an alternative funding source.

D. SECTION-BY-SECTION ANALYSIS:

Section 1 amends s. 395.701(2)(b), F.S., relating to annual assessments on hospitals' net operating revenues to fund public medical assistance. The annual assessment on hospital outpatient net operating revenues is reduced from 1.0 percent to 0.5 percent. The assessment on hospital inpatient net operating revenue remains at 1.5 percent. The catchline of s. 395.701, F.S., is clarified to reflect that the section applies to inpatient and outpatient services. The audited financial components that may be required for the purpose of determining the amount of the assessment are limited.

Section 2 amends s. 395.7015(2)(a), F.S., relating to annual assessments on health care entities. The annual assessment on the net operating revenues of ambulatory surgical centers, diagnostic imaging centers, and clinical laboratories is reduced from the current rate of 1.0 percent to 0.5 percent.

Section 3 provides that the Legislature shall appropriate each fiscal year from the General Revenue Fund or the Agency for Health Care Administration Tobacco Settlement Trust Fund an amount sufficient to replace the funds lost due to the reduction of this Act in the assessment on hospital outpatient revenues and on other health care entities under s. 395.701 and s. 395.7015, F. S., respectively, and to maintain federal financial participation.

Section 4 provides that the bill is effective July 1, 2001.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	Amount Year 1 <u>(FY 01-02)</u>	Amount Year 2 <u>(FY 02-03)</u>
Assessments:		
Hospitals (Section 1)	\$0	(\$28,800,000)
Ambulatory Surgical Centers (Section 2)	\$0	(\$1,203,750)
Diagnostic Imaging Centers (Section 2)	\$0	(\$1,725,375)
Clinical Laboratories (Section 2)	\$0	(\$2,420,875)
Total Assessments *	\$0	(\$34,150,000)

* Assumes that the reduced assessment rate will be effective for revenues earned by the hospitals after July 1, 2001. Because of the lag in the reporting of revenues by providers and the verification and certification of the reports by the Agency for Health Care Administration, the reduction in revenues will not be recognized until FY 2002-03.

2. Expenditures:

Shift in Hospital Inpatient Services Due to Decrease in Assessments

Hospital Inpatient Services (Sections 1 and 2)		
General Revenue or Tobacco Settlement Trust Fund	\$0	\$34,150,000
Public Medical Assistance Trust Fund	\$0	(\$34,150,000)
Total Hospital Inpatient Services	\$0	\$0

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Hospitals' taxes will be decreased by an estimated \$28.8 million per year. Other health care entities will benefit from a tax decrease of \$5.35 million.

D. FISCAL COMMENTS:

III. 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:

The bill will not reduce the authority of municipalities and counties to raise revenues.

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

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

IV. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On February 20, 2001, the Fiscal Responsibility Council approved the bill and the amendments travelling with the bill as a council substitute. The amendments have been engrossed into the CS/HB 55.

On February 9, 2001, the Committee on Health & Human Services Appropriations adopted the following amendments to HB 55, which are traveling with the bill:

1. Provides that no additional audited financial components, other than those in effect on July 1, 2000, may be required for the purpose of determining the amount of the hospital outpatient assessment.
2. Strikes sections 4 and 5 of the bill, which provided an unnecessary appropriation (amount not specified) and an unnecessary contingency regarding federal Health Care Financing Administration confirmation. Replacement language provides for an effective date of July 1, 2001.

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3. Technical amendment to replace the language in section 3 of the bill with modifications to the existing statutory provision (section 395.7016, F.S.) which provides identical direction regarding replacement of revenues lost due to the assessment reduction.

VI. SIGNATURES:

COMMITTEE ON HEALTH & HUMAN SERVICES APPROPRIATIONS:

Prepared by:

Staff Director:

Cynthia Kelly

Cynthia Kelly

AS REVISED BY THE COMMITTEE ON FISCAL POLICY & RESOURCES:

Prepared by:

Staff Director:

Carol Dickson-Carr

Greg Turbeville

AS FURTHER REVISED BY THE COMMITTEE ON FISCAL RESPONSIBILITY COUNCIL:

Prepared by:

Staff Director:

Richard E. Herring

David K. Coburn