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FISCAL IMPACT REPORT

SPONSOR Jennings DATE TYPED 02/11/05 HB _____

SHORT TITLE Medicaid Reimbursement Payment Increase SB 339

ANALYST Weber

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$8,902.6 (FY07)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		\$22,824.3	Recurring	Medicaid federal

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Human Services Department

SUMMARY

Synopsis of Bill

Senate Bill 339 adds subsections B and C to Section 27-2-12.3 requiring the Human Services Department to increase the Medicaid fees for physicians, dentists, optometrists, podiatrists, and psychologists for services rendered to fee-for-service Medicaid clients each July 1, starting in 2006. All reimbursements must include the gross receipts tax. This bill is effective July 1, 2005. However, SB 339 does not require that fees be increased

until July 1, 2006. Consequently, there will no be a fiscal impact until FY07.

Significant Issues

The Human Services Department reports.

SB 339 requires the Human Services Department to increase the Medicaid fees to certain providers under fee-for-service and the reimbursements are inclusive of the gross receipt tax. The average medical price had increased 3.93% a year from July 1994 to July 2004 according to the medical care component of the consumer price index for all urban consumers (Medical care of CPI-U). The requirements of SB 339 were not clear on the exact increase amount so the average growth of the CPI-U from July 1994 to July 2004 is used to estimate the impact. Though SB 339 is not clear on the methodology required to increase provider rates, any legislation that requires yearly increase in payments to providers severely limits the ability of the Medical Assistance Division to meet budget constraints.

The increase in the fees for physicians, dentists, optometrists, podiatrists, and psychologists in all Medicaid delivery systems by this rate would result in additional yearly costs of \$31,762,900 to the Medicaid program beginning in FY07. The state share of that increase is \$8,902,600. The state share is based on the FY06 FMAP rate. SB 339 also requires that reimbursement of Medicaid fees to physician, dentist, optometrist, podiatrist, and psychologist providers under fee-for-service and managed care service programs include the gross receipt tax. HSD currently reimburses the fee-for-service providers listed in SB 339 for gross receipts tax.

FISCAL IMPLICATIONS

Beginning in FY07 significant annual general fund increases are required.

MW/sb:rs