HOUSE BILL REPORT

HB 2967

As Reported By House Committee on:
Revenue

Title: An act relating to medicaid funding of intermediate care facilities.

Brief Description: Expanding federally authorized medicaid taxes and appropriations to IMR facilities.

Sponsor(s): Representatives Wang, Locke, Braddock and Paris.

Brief History:
Reported by House Committee on:
Revenue, February 27, 1992, DPS.

HOUSE COMMITTEE ON REVENUE

Majority Report: *The substitute bill be substituted therefor and the substitute bill do pass.* Signed by 14 members: Representatives Wang, Chair; Fraser, Vice Chair; Brumsickle, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Belcher; Carlson; Day; J. Kohl; Leonard; Morris; Morton; Rust; and Silver.

Staff: Rick Peterson (786-7150).

Background:

State medicaid spending is financed with both state and federal dollars. Most of the state dollars come from the state's general tax system. The hospital medicaid tax passed in the 1991 special session is an example of a medicaid provider specific tax. The money from this tax is used along with the matching federal dollars to provide additional resources for the medicaid program in hospitals. Many states use similar health care provider specific taxes to help finance their medicaid programs.

Recently, federal law was changed to limit the use of health care provider specific taxes as sources of financing the state's share of medicaid payments. Under current federal law, health care provider specific taxes must meet certain standards, otherwise these state funds will not be matched with federal funds. The current hospital medicaid tax fails to meet these standards. The tax must stop on September 30, 1992.

Under federal regulations, health care provider specific taxes may be applied to medical providers within defined classes. These classes include: inpatient hospital services; outpatient hospital services; nursing facility services; services of intermediate care facilities for the mentally retarded; physician's services; home health care services; outpatient prescription drugs; health maintenance organization services; and other classifications established by regulation.

A health care provider specific tax must be broad based. That is, the tax must be imposed on the entire class of providers and with limited exemptions. For example, no exemption is allowed for non-medicaid providers. However, the tax may exclude activities related to medicaid or medicare services.

The tax and any payment system cannot have the effect of holding the providers harmless. The tax and payment system must redistribute money from some providers to others.

Summary of Substitute Bill: A new business and occupation tax on intermediate care facilities for the mentally retarded is created. The tax is equal to 15 percent of the gross income from inpatient services. Appropriations are provided for prospective rate increases for intermediate care for the mentally retarded.

Substitute Bill Compared to Original Bill: The substitute bill includes another condition that triggers the stopping of the tax and the provider rate increases. If a permanent injunction, court order, or final decision prohibits the collection of the tax then the tax and the provider rate increases are ended. The substitute bill provides that the tax payments be made on a monthly basis.

Fiscal Note: Available.

Appropriation: $17,880,000 from the General Fund-State and $20,880,000 from the General Fund-Federal.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect April 1, 1992.

Testimony For: None.

Testimony Against: None.

Witnesses: None.