



Ohio Legislative Service Commission

Ivy Chen

Fiscal Note & Local Impact Statement

Bill: [H.B. 255 of the 130th G.A.](#)

Date: October 15, 2013

Status: As Introduced

Sponsor: Reps. Becker and Lynch

Local Impact Statement Procedure Required: Yes (Corrected after initial review)

Contents: To revise Medicaid eligibility for certain groups and to abolish the Medicaid Buy-In for Workers with Disabilities Program

State Fiscal Highlights

- **Medicaid service costs.** The decrease in the number of residential parents and caregiver relatives and pregnant women eligible for Medicaid and the elimination of the Medicaid Buy-In for Workers with Disabilities Program will result in a reduction in Medicaid expenditures. Any decrease in Medicaid expenditures would result in a corresponding loss of federal Medicaid reimbursement. LSC estimates that the reduction in Medicaid expenditures will be \$1.48 billion to \$1.62 billion (\$532.8 million to \$583.2 million state share) per fiscal year.
- **Sales and use tax related to Medicaid Managed Care Organizations (MCO).** A decrease in Medicaid enrollees will result in a loss of tax revenue collected since the sales tax rate applies to payments from the state to MCOs. LSC estimates the loss of sales tax revenue deposited into the GRF to be \$61.0 million to \$73.4 million per fiscal year. A small portion of the sales and use tax revenue is transferred to the Public Library Fund and the Local Government Fund.
- **Hospital assessments.** A decrease in a hospital's total facility costs, related to providing patient care to fewer Medicaid enrollees, will result in a reduction in the hospital assessment fee collected by the state. The reduction is anticipated to be between \$16.7 million and \$17.6 million per fiscal year.

Local Fiscal Highlights

- **Sales and use tax related to Medicaid MCOs.** A decrease in Medicaid enrollees will result in a loss of tax revenue collected since the county add-on sales tax rate applies to MCOs. LSC estimates the loss of sales tax revenue to counties to be \$13.8 million to \$17.9 million per fiscal year.
- **Hospital assessments.** A decrease in a hospital's total facility costs, related to providing patient care to fewer Medicaid enrollees, will result in a reduction in the hospital assessment fee. Generally, a portion of this assessment is used to provide payments to hospitals.

Detailed Fiscal Analysis

The bill revises income eligibility for the Medicaid Program by reducing the threshold for pregnant women and residential parents and caretaker relatives. Currently, the income eligibility threshold for women during pregnancy and the 60-day period beginning on the last day of the pregnancy is 200% of the federal poverty line (FPL). The bill would reduce this to 133% of the FPL. Currently, the income eligibility threshold for residential parents or caretaker relatives is 90% of the FPL. The bill would reduce this to 34% of the FPL.

The bill abolishes the Medicaid Buy-In for Workers with Disabilities Program and the Medicaid Buy-In Advisory Council. Currently, the program covers two optional eligibility groups: employed individuals with disabilities and employed individuals with medically improved disabilities. State law sets the income eligibility threshold for the program at 250% of the FPL; however, individuals with incomes above 150% of the FPL must pay annual premiums to enroll in Medicaid. The bill also expressly prohibits the Medicaid Program from covering the two optional eligibility groups for whom the program was designed.

The bill takes effect on January 1, 2014 or the earliest time permitted by law, whichever is later. Therefore, any fiscal impacts under the bill for fiscal year 2014 will be for half of the fiscal year.

Fiscal effect

Medicaid state service costs

As a result of the decrease in the number of pregnant women and residential parents and caregiver relatives eligible for Medicaid and the elimination of the Medicaid Buy-In for Workers with Disabilities Program, there will be a reduction in Medicaid expenditures. Any decrease in Medicaid expenditures would result in a corresponding loss of federal Medicaid reimbursement. Generally, the federal government reimburses Ohio about 64% for Medicaid medical services expenditures and about 50% for administrative expenditures. Most Medicaid payments for services are made from GRF line item 651525, Medicaid/Health Care Services, by the Ohio Department of Medicaid (ODM). However, other non-GRF and federally funded line items are also used for Medicaid expenditures. LSC estimates that there will be a reduction in Medicaid expenditures of \$1.48 billion to \$1.62 billion (\$532.8 million to \$583.2 million state share) per fiscal year as a result of these provisions.

Provider taxes

A vast majority of states use at least one provider tax to help finance Medicaid. Many of these states use the provider tax revenue to increase Medicaid payments for the class of providers, such as hospitals, responsible for paying the provider tax. This allows states to fund increases to Medicaid payments without the use of state funds as the increased Medicaid payments are funded with provider tax revenue and federal

Medicaid matching funds. States also use provider tax revenues to fund other Medicaid or non-Medicaid purposes. Currently, Ohio has provider taxes/fees on nursing homes, hospitals, and intermediate care facilities for individuals with intellectual disabilities (ICFs/IID).

The hospital assessment fee will be the provider tax most impacted by the bill. The hospital assessment fee is to equal a percentage of the hospital's total facility costs, which includes costs for all care provided to patients, including the direct, indirect, and overhead costs to the hospital of all services, supplies, equipment, and capital related to the care of patients, regardless of whether patients are enrolled in a health insuring corporation. As a result of the bill, the hospital fee assessed will be reduced since fewer individuals will be covered under Medicaid. The reduction is anticipated to be between \$16.7 million and \$17.6 million per fiscal year. Generally, a portion of this assessment is used to provide payments to hospitals.

Sales and use tax

Ohio also has a sales and use tax on Medicaid managed care organizations (MCOs) and this tax will be impacted by the bill. A majority of the revenues collected from this tax are deposited into the GRF. However, a small portion is transferred to the Public Library Fund and the Local Government Fund. County add-on sales tax also applies to MCOs. The sales tax rate applies to payments from the state to the MCOs. Thus, a reduction in Medicaid payments for fewer Medicaid enrollees will result in a reduction of tax revenue. LSC estimates that as a result of the bill, there will be a loss of sales tax revenue deposited into the GRF of \$61.0 million to \$73.4 million per fiscal year. There will also be a loss of county sales tax revenue to counties of \$13.8 million to \$17.9 million per fiscal year.

Indirect costs

There could be indirect fiscal impacts to local government entities that provide medical services, such as public hospitals. Some individuals that would no longer receive Medicaid coverage would still need to utilize the health care system for illness and injuries. These individuals may use hospital emergency rooms, so public hospitals could experience an increase in costs for providing care to these individuals. Currently, the federal government requires state Medicaid programs to make subsidy payments to hospitals that provide uncompensated, or charity, care to low-income and uninsured individuals at or below 100% of the FPL under the Disproportionate Share Hospital (DSH) Program. However, under the Patient Protection and Affordable Care Act (ACA), the federal DSH allotments to states will be reduced starting in 2014.

Patient Protection and Affordable Care Act

It is possible that some individuals that are no longer Medicaid eligible as a result of the bill will receive coverage through health insurance exchanges since the ACA requires individuals to have health coverage or pay a tax penalty. However, exemptions will be granted for individuals for whom premiums exceed 8% of household income, individuals below the minimum threshold for filing tax returns,

individuals covered under Medicaid expansion (this would apply to individuals regardless of whether or not the individuals' state of residence chooses to implement Medicaid expansion), and for certain other reasons. Individuals between 100% and 400% of the FPL will be eligible for cost sharing subsidies through the health insurance exchanges.

In addition, it is possible that some individuals might receive coverage under employer sponsored plans since the ACA specifies that employers with 50 or more employees are to provide affordable health insurance or be penalized.

Background information

Federal poverty guidelines

States use the FPL in developing their income eligibility criteria for various Medicaid groups. The FPL is established and issued each year in the Federal Register by the United States Department of Health and Human Services. Public assistance programs usually define income standards in relation to the FPL. The table below provides the 2013 poverty guidelines for various family sizes at percentages related to provisions in the bill. The guidelines are for the 48 contiguous states and the District of Columbia. Alaska and Hawaii are provided a different set of guidelines.

2013 Federal Poverty Guidelines						
Family Size	34%	90%	100%	133%	200%	250%
1	\$3,907	\$10,341	\$11,490	\$15,282	\$22,980	\$28,725
2	\$5,273	\$13,959	\$15,510	\$20,628	\$31,020	\$38,775
3	\$6,640	\$17,577	\$19,530	\$25,975	\$39,060	\$48,825