



NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

Legislative Fiscal Note

Short Title: Medicaid Modernized Hospital Assessments.
Bill Number: House Bill 383 (First Edition)
Sponsor(s): Representatives Lambeth, White, and Sasser

SUMMARY TABLE

	FISCAL IMPACT OF H.B.383, V.1				
	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
General Fund Revenue	-	-	-	-	-
<u>Less Expenditures</u>	-	-	-	-	-
General Fund Impact	<i>Revenue Neutral; No Fiscal Impact</i>				

FISCAL IMPACT SUMMARY

The bill establishes a formula to calculate quarterly Medicaid hospital assessment rates beginning July 1, 2021, with the start of Medicaid managed care. The formula is designed to be revenue neutral and will adjust for quarterly changes in Medicaid enrollment, federal match rates, managed care capitation rates, and fee-for-service hospital utilization.

The assessment structure that is currently scheduled to begin July 1, 2021 is repealed and replaced with the new formula. The repeal eliminates the need for the General Assembly to set hospital assessment rates every year and provides for quarterly adjustments to the rates based on the most recent available Medicaid data.

House Bill 383 does not change the amount that would be collected from the Medicaid hospital assessments being repealed, nor does it affect appropriations to the Department of Health and Human Services, Division of Health Benefits.

FISCAL ANALYSIS

The existing State hospital assessments were established in 2011 and generate approximately \$500 million to \$600 million per year in departmental receipts for the Department of Health and Human Services, Division of Health Benefits (DHB). Most of the receipts help to fund higher Medicaid reimbursement rates for hospitals, but a smaller portion helps to support the rest of the State's Medicaid program.

The hospital assessment structure that has been in place since 2011, however, is not compatible with Medicaid managed care, which will start July 1, 2021. S.L. 2020-88 established a new assessment structure that conforms with managed care but requires the General Assembly to set assessment rates annually. Section 1 of the bill repeals the assessments established in S.L. 2020-88, and Section 2 puts in place a formula for the assessments that will adjust on a quarterly basis for



changes in Medicaid enrollment, federal match rates, managed care capitation rates, and fee-for-service hospital utilization. Section 3 sets assessment rates for public and private hospitals to use in the first quarter under managed care (July through September 2021), and Section 4 establishes a formula for a one-time reconciliation of first quarter collections.

Like the current hospital assessments, the following hospitals are exempt from the assessments in House Bill 383: State-owned and State-operated hospitals; freestanding psychiatric hospitals; freestanding rehabilitation hospitals; long-term care hospitals; critical access hospitals; specified University of North Carolina Health Care System hospitals; and the primary affiliated teaching hospital for the East Carolina University Brody School of Medicine.

The new formula established in House Bill 383 is designed to result in the same level of revenue that would otherwise be collected from the system being repealed and is intended to minimize any change in assessments for individual hospitals. The bill will not affect total hospital assessment receipts collected by the Division of Health Benefits (DHB), nor will it affect General Fund appropriations to DHB or the Department of Health and Human Services.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

DEPARTMENT OF HEALTH AND HUMAN SERVICES; NORTH CAROLINA HEALTH CARE ASSOCIATION

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

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May 5, 2021



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