

SESSION OF 2017

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2180

As Amended by House Committee on
Appropriations

Brief*

HB 2180, as amended, would increase the annual privilege fees assessed on every health maintenance organization to 5.77 percent for the reporting period, beginning July 1, 2017, and ending December 31, 2022. On and after January 1, 2023, the privilege fee would be assessed at 2.00 percent. This change would impact the current reporting period that began January 1, 2017.

The bill would direct the moneys collected from this annual assessment be deposited to the credit of the Medical Assistance Fee Fund (in the Kansas Department of Health and Environment). The bill would also create in the State Treasury the Community Mental Health Center Improvement Fund to be used by the Kansas Department for Aging and Disability Services and would restrict use of the moneys in this fund for purposes related to community mental health centers.

The bill would specify moneys in the Medical Assistance Fee Fund must be expended in the following priority:

- First, restore any reductions initiated during calendar year 2016 to provider reimbursement rates for state Medicaid services;
- Second, \$3.5 million in FY 2018, and \$15.0 million every fiscal year thereafter, would be transferred to the Community Mental Health Center Improvement

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Fund to be used for purposes related to community mental health centers; and

- Third, any remaining moneys would be expended for the purpose of Medicaid medical assistance payments.

The bill would also remove the July 1, 2018, sunset date on the privilege fee.

Under current law, the privilege fee is 3.31 percent for the period beginning January 1, 2015, and ending December 31, 2017, and 2.00 percent on and after January 1, 2018. In addition, the moneys collected from the privilege fee are to be deposited to the credit of the State General Fund, except during the period beginning July 1, 2015, and ending on June 30, 2018, when the moneys are to be deposited to the credit of the Medical Assistance Fee Fund.

Background

The bill was introduced by the House Committee on Appropriations. In the House Committee hearing, representatives of the Association of Community Mental Health Centers of Kansas, Children's Alliance of Kansas, Inc., Genoa Pharmacy, Kansas Association for the Medically Underserved, Kansas Association of Chain Drug Stores, Kansas Healthcare Association, Kansas Hospital Association, Kansas Independent Pharmacy Service Corporation, LeadingAge Kansas, and Via Christi Hospitals testified in favor of the bill.

Written-only proponent testimony was received by HCA Inc., High Plains Mental Health Center, Kansas Academy of Family Physicians, Kansas Association of Addiction Professionals, Kansas Medical Society, Kansas Pharmacists Association, and University of Kansas Health System. The proponents stated the proposed changes were critical in order to restore reduced reimbursement rates to providers that have caused strain on the Kansas health care system.

Representatives of Aetna, Blue Cross and Blue Shield of Kansas, and the Kansas Insurance Department testified in opposition of the bill. Blue Cross and Blue Shield of Kansas City provided written-only opponent testimony. The opponents noted concerns with the fee increase and stated the retroactive implementation of the fee would not allow health insurance companies the ability to collect the amount of the privilege fee in the current rates, resulting in a loss to the companies.

A representative of the Kansas Department of Health and Environment provided neutral testimony providing details on the privilege fee and use of the fee revenues.

The House Committee amended the bill to specify the increase of the privilege fee to the 5.77 percent would be for the reporting period beginning July 1, 2017, and ending December 31, 2022, only. The amendment also specified that on and after January 1, 2023, the privilege fee would return to 2.00 percent. The Committee also amended the bill to prioritize expenditures from the Medical Assistance Fee Fund and specify \$3.5 million for FY 2018 and \$15.0 million every fiscal year thereafter would be dedicated for community mental health centers.

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, enactment of the bill would generate additional revenue of \$103.9 million in FY 2018 and require \$239.5 million in expenditures, including \$1.5 million from the State General Fund. Additional revenue generated in FY 2019 would total \$144.5 million and result in increased expenditures of \$220.7 million, with a State General Fund savings of \$114.9 million. The fiscal effect associated with the bill is not reflected in *The FY 2018 Governor's Budget Report*. A fiscal note was not immediately available for the House Committee amendment.