

# OFFICE OF LEGISLATIVE BUDGET ASSISTANT

State House, Room 102  
Concord, NH 03301  
271-3161

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FROM Michael Kane,  
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SUBJECT Medicaid Enhancement Tax (MET) Revenue Estimates

TO Senator Chuck Morse

The Medicaid Enhancement Tax (MET) is a 5.5% tax on hospital net patient services revenues, a portion of which is deposited into the State General Fund. During the biennial budget process, the House and Senate Ways and Means Committee estimate MET revenue for the State General Fund using information provided by the Department of Health and Human Services (DHHS). This process has remained consistent throughout several fiscal years. Information pertaining to the FY 2012-2013 Biennial Budget process is as follows –

September 2010 – The FY 2012-2013 Agency Budget Request assumed an MET rate of 6%, rather than the 5.5% rate due to an increase of the maximum provider tax allowed under Federal law beginning October 1, 2011. State statute would need to be changed to assess the 6% rate. In the Agency Budget Request prepared in September 2010, DHHS estimated MET revenue to the General Fund at \$140,730,467 in FY 2012, and \$153,396,209 in FY 2013.

November 2010 - DHHS revised their Agency Budget Request General Fund revenue estimates in November 2010 to \$107,625,100 in FY 2012, and \$116,235,108 in FY 2013, predicated on an increase of the MET rate to 6%. These revenue estimates also assumed an 8% annual growth in MET Revenue.

January 2011 – On January 13, 2011, DHHS presented to the House Ways and Means Committee MET General Fund revenue estimates of \$107,625,100 in FY 2012, and \$116,235,108 in FY 2013 assuming the a statutory change to increase the MET rate from 5.5% to 6%. The House Ways and Means Committee requested that DHHS re-state their MET General Fund revenue estimates using the 5.5% MET rate contained in current law. In a document dated January 24, 2011, DHHS presented MET General Fund revenue estimates at the 5.5% rate equal to \$98,656,342 in FY 2012, and \$106,548,849 in FY 2013. These estimates also assumed an 8% annual growth rate.

On January 26, 2011, House Resolution 11 (HR 11) was introduced affirming revenue estimates for FY 2011, 2012, and 2013. The House Ways and Means Committee included MET General Fund revenue estimates based on the current 5.5% MET rate, but assumed 6% annual growth in FY 2012, and 8% annual growth in FY 2013. After rounding, the MET General Fund revenue estimates contained in HR 11 were stated at \$97.0M in FY 2012, and \$104.8M in FY 2013. HR 11 was adopted by the full House on February 9, 2011.

### February 2011 –

In February 2011, the Governor's Recommended Budget included MET General Fund revenue estimates based on the 5.5% rate, at \$100.5M in FY 2012, and \$108.4M in FY 2013. Other assumptions used by the Governor's Office for these estimates are not known.

### April 2011 -

#### *House Ways and Means*

On April 19, 2011, the House Ways and Means Committee received updates from various agencies on revenue estimates for FY 2011 through FY 2013. DHHS presented a document that estimated MET General Fund revenue at \$98,656,342 in FY 2012, and \$106,548,849 in FY 2013. Estimates assumed the 5.5% MET tax rate, and annual growth of 8%.

#### *Senate Ways and Means*

In April 2011, the Senate Ways and Means Committee began discussing FY 2012-2013 General Fund revenue estimates. DHHS, Office of Medicaid and Business Policy provided a revenue briefing to the Committee on April 26, 2011. DHHS testified to the Senate Ways and Means Committee that they estimate MET General Fund revenue to total \$98.656M in FY 2012, and \$106.549M in FY 2013, based on a 5.5% MET rate and annual growth of 8%. DHHS also testified that over past fiscal years, the typical annual growth has been between 10% and 12%. Senator Odell questioned DHHS about the impact on revenue estimates from changes made by DHHS in FY 2011 to the distribution process of MET revenue through the Disproportionate Share Hospital (DSH) program (also known as uncompensated care payments). DHHS stated the State Plan amendment the Department filed in April 2011 with the Centers for Medicare and Medicaid Services (CMS) relative to the DSH program would impact the distribution of DSH payments, but would not affect the MET tax base.

### May 2011 –

#### *House Ways and Means*

On May 4, 2011, House Resolution 12 (HR 12) was introduced affirming revenue estimates for FY 2011, 2012, and 2013. The House Ways and Means Committee MET General Fund revenue estimates remained at the \$97.0M in FY 2012, and \$104.8M in FY 2013 contained in HR 11, which assumed the 5.5% MET rate and annual growth at 6% in FY 2012, and 8% in FY 2013. HR 12 was adopted by the full House on May 18, 2011.

#### *Senate Ways and Means*

On May 19 2011, the Senate Ways and Means Committee finalized General Fund revenue estimates for FY 2012-2013. The Committee estimated MET General Fund revenue at \$98.6M in FY 2012, and \$106.6M in FY 2013, which assumed the 5.5% MET rate and annual growth at 8% in FY 2012, and 8% in FY 2013. These estimates were identical to the estimates provided to the Committee by DHHS.

June 2011 – In June 2011, as a result of the Committee of Conference formed for HB 1 and 2, the Chairs of the House and Senate Ways and Means Committees met to discuss differences in General Fund revenue estimates for FY 2012-2013. After discussion, on June 9, 2011, the Chairs of the House and Senate Ways and Means Committee agreed to the House estimates on MET General Fund revenue of \$97.0M in FY 2012, and \$104.8M in FY 2013, which assumed the 5.5% MET rate and annual growth at 6% in FY 2012, and 8% in FY 2013. These estimates were provided to the HB 1 and 2 C of C and contained in the enacted FY 2012-2013 Operating Budget.

Summary of MET General Fund Revenue Estimates –

	(In Millions)	
	FY 2012	FY 2013
Agency Budget Request (September 2010)	\$140.7	\$153.4
Agency Revised Estimate (November 2010)	\$107.6	\$116.2
Agency Revised Estimate (January 2011)	\$98.7	\$106.6
House Estimate (January 2011)	\$97.0	\$104.8
Governor Estimate (February 2011)	\$100.5	\$108.4
Agency Revised Estimate (April 2011)	\$98.7	\$106.6
House Estimate (May 2011)	\$97.0	\$104.8
Senate Estimate (May 2011)	\$98.6	\$106.6
C of C Final Estimate (June 2011)	\$97.0	\$104.8

History of MET General Fund Revenue Estimate vs Actual -

Below is a history of MET General Fund revenue estimates versus actual revenue for various fiscal years as contained in the State's Comprehensive Annual Financial Report (CAFR) for fiscal year's 2006 through 2010, and contained in the Department of Administrative Services' Monthly Revenue Focus for fiscal year's 2011 and 2012. Amounts are as follows –

	(In Millions)		
	Estimate	Actual	Difference
FY 2006	\$73.0	\$73.6	\$0.6
FY 2007	\$75.8	\$83.3	\$7.5
FY 2008	\$91.0	\$93.1	\$2.1
FY 2009	\$91.8	\$99.6	\$7.8
FY 2010	\$99.3	\$98.1	\$(1.2)
FY 2011*	\$108.5	\$93.5	\$(15.0)
FY 2012 (as of 11/30/11)	\$97.0	\$46.7	\$(50.3)
FY 2013	\$104.8	TBD	TBD

*\*FY 2011 was the year DHHS changed the distribution of DSH payments to hospitals which resulted in gains and losses for hospitals when comparing the amount of MET paid and the amount of their DSH payment. In all previous fiscal years, there was no difference between these amounts (net zero impact on hospitals).*

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