

Appendix D

Medicaid/MaineCare Dedicated Revenue Taxes

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MEDICAID/MAINECARE DEDICATED REVENUE TAXES
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2007

| Source | FY04 Actual | % Chg. | FY05 Actual ** | % Chg. | FY06 Actual *** | % Chg. | FY07 Budget | % Chg. | Recom. Chg. | FY07 Revised | % Chg. |
|---|-------------------|---------------|-------------------|--------------|--------------------|--------------|--------------------|-------------|------------------|--------------------|-------------|
| Nursing Facility Tax | 30,501,448 | 38.3% | 29,241,327 | -4.1% | 31,397,376 | 7.4% | 32,182,310 | 2.5% | (2,323,466) | 29,858,844 | -4.9% |
| Residential Treatment Facility (ICFs/MR) Tax | 1,617,662 | 3.4% | 1,958,739 | 21.1% | 1,868,534 | -4.6% | 1,915,247 | 2.5% | 16,789 | 1,932,036 | 3.4% |
| Hospital Tax * | 16,383,319 | N/A | 48,907,135 | 198.5% | 54,050,888 | 10.5% | 56,212,924 | 4.0% | 3,268,453 | 59,481,377 | 10.0% |
| Service Provider Tax - Private Non-Medical Institutions (PNMIs) | 0 | N/A | 15,430,099 | N/A | 30,779,242 | 99.5% | 31,215,524 | 1.4% | 2,934,187 | 34,149,711 | 11.0% |
| Total - Health Care Provider Taxes | 48,502,429 | 105.4% | 95,537,301 | 97.0% | 118,096,040 | 23.6% | 121,526,005 | 2.9% | 3,895,963 | 125,421,968 | 6.2% |
| Change in Biennial Totals | | | | | | | | | 3,895,963 | | |

* Reflects revenue from the hospital tax first enacted under PL 2003, c. 513 and amended under PL 2003, c. 673, but does not include revenue from previous hospital taxes and assessments.

** The hospital tax rate increased from 0.74% of net operating revenue in FY 04 to 2.23% in FY 05.

***The MaineCare service provider tax was expanded in FY06 to include: community support services (effective 6/29/05), day habilitation services (effective 7/1/05), personal support services (effective 7/1/05) and residential training services (effective 7/1/05).

MEDICAID/MAINECARE DEDICATED REVENUE TAXES
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2007

| Source | FY08 Budget | % Chg. | Recom. Chg. | FY08 Revised | % Chg. | FY09 Budget | % Chg. | Recom. Chg. | FY09 Revised | % Chg. |
|---|--------------------|-------------|------------------|--------------------|-------------|--------------------|-------------|------------------|--------------------|-------------|
| Nursing Facility Tax | 32,986,868 | 2.5% | (2,381,553) | 30,605,315 | 2.5% | 33,811,540 | 2.5% | (2,441,091) | 31,370,449 | 2.5% |
| Residential Treatment Facility (ICFs/MR) Tax | 1,963,128 | 2.5% | 17,209 | 1,980,337 | 2.5% | 2,012,206 | 2.5% | 17,639 | 2,029,845 | 2.5% |
| Hospital Tax * | 56,212,924 | 0.0% | 3,268,453 | 59,481,377 | 0.0% | 56,212,924 | 0.0% | 3,268,453 | 59,481,377 | 0.0% |
| Service Provider Tax - Private Non-Medical Institutions (PNMIs) | 31,662,713 | 1.4% | 3,340,740 | 35,003,453 | 2.5% | 32,121,082 | 1.4% | 3,757,458 | 35,878,540 | 2.5% |
| Total - Health Care Provider Taxes | 122,825,633 | 1.1% | 4,244,849 | 127,070,482 | 1.3% | 124,157,752 | 1.1% | 4,602,459 | 128,760,211 | 1.3% |
| Change in Biennial Totals | | | | | | | | 8,847,308 | | |

* Reflects revenue from the hospital tax first enacted under PL 2003, c. 513 and amended under PL 2003, c. 673, but does not include revenue from previous hospital taxes and assessments.

** The hospital tax rate increased from 0.74% of net operating revenue in FY 04 to 2.23% in FY 05.

***The MaineCare service provider tax was expanded in FY06 to include: community support services (effective 6/29/05), day habilitation services (effective 7/1/05), personal support services (effective 7/1/05) and residential training services (effective 7/1/05).

MEDICAID/MAINECARE DEDICATED REVENUE TAXES
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2007

| Source | FY10 Forecast | % Chg. | Recom. Chg. | FY10 Revised | % Chg. | FY11 Forecast | % Chg. | Recom. Chg. | FY11 Revised | % Chg. |
|---|--------------------|-------------|------------------|--------------------|-------------|--------------------|-------------|-------------------|--------------------|-------------|
| Nursing Facility Tax | 34,656,828 | 2.5% | (2,502,119) | 32,154,709 | 2.5% | 35,523,249 | 2.5% | (2,564,672) | 32,958,577 | 2.5% |
| Residential Treatment Facility (ICFs/MR) Tax | 2,062,511 | 2.5% | 18,080 | 2,080,591 | 2.5% | 2,114,074 | 2.5% | 18,532 | 2,132,606 | 2.5% |
| Hospital Tax * | 56,212,924 | 0.0% | 3,268,453 | 59,481,377 | 0.0% | 56,212,924 | 0.0% | 3,268,453 | 59,481,377 | 0.0% |
| Service Provider Tax - Private Non-Medical Institutions (PNMIs) | 32,590,911 | 1.5% | 4,184,593 | 36,775,504 | 2.5% | 33,072,485 | 1.5% | 4,622,406 | 37,694,891 | 2.5% |
| Total - Health Care Provider Taxes | 125,523,174 | 1.1% | 4,969,007 | 130,492,181 | 1.3% | 126,922,732 | 1.1% | 5,344,719 | 132,267,451 | 1.4% |
| Change in Biennial Totals | | | | | | | | 10,313,726 | | |

* Reflects revenue from the hospital tax first enacted under PL 2003, c. 513 and amended under PL 2003, c. 673, but does not include revenue from previous hospital taxes and assessments.

** The hospital tax rate increased from 0.74% of net operating revenue in FY 04 to 2.23% in FY 05.

***The MaineCare service provider tax was expanded in FY06 to include: community support services (effective 6/29/05), day habilitation services (effective 7/1/05), personal support services (effective 7/1/05) and residential training services (effective 7/1/05).

Nursing Facility Tax

| | FY04 Actual | FY05 Actual | FY06 Actual | FY07 | FY08 | FY09 | FY10 | FY11 |
|-------------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Current Forecast | \$30,501,448 | \$29,241,327 | \$31,397,376 | \$32,182,310 | \$32,986,868 | \$33,811,540 | \$34,656,828 | \$35,523,249 |
| Annual % Growth | 38.3% | -4.1% | 7.4% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Net Increase (Decrease) | | | | (\$2,323,466) | (\$2,381,553) | (\$2,441,091) | (\$2,502,119) | (\$2,564,672) |
| Revised Forecast | \$30,501,448 | \$29,241,327 | \$31,397,376 | \$29,858,844 | \$30,605,315 | \$31,370,449 | \$32,154,709 | \$32,958,577 |
| Annual % Growth | 38.3% | -4.1% | 7.4% | -4.9% | 2.5% | 2.5% | 2.5% | 2.5% |

Revenue Source Summary:

Effective July 1, 2001, PL 2001, c. 714, established a new tax on nursing homes equal to 6% of each facility's annual net operating revenue. Nursing home tax revenue accrues to Other Special Revenue funds. The nursing home tax is dedicated to support nursing home and other long-term care programs, with a part of the proceeds of the tax used to replace reductions in General Fund appropriations for these purposes.

Revenue Source Forecast Factors and Trends:

Given this tax is based on nursing home net operating revenue, the amount of the tax collected is driven primarily by reimbursements from Medicaid, the largest payer for nursing home services, with reimbursements from other payers (i.e., Medicare, private insurance, and self payers) accounting for the remaining revenue. Medicaid reimbursements to these facilities are driven by Medicaid reimbursement rates and the volume of services.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY07 collections through February 2007.

Residential Treatment Facility (ICF's/MR) Tax

| | FY04 Actual | FY05 Actual | FY06 Actual | FY07 | FY08 | FY09 | FY10 | FY11 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Current Forecast | \$1,617,662 | \$1,958,739 | \$1,868,534 | \$1,915,246 | \$1,963,128 | \$2,012,206 | \$2,062,511 | \$2,114,074 |
| Annual % Growth | 3.4% | 21.1% | -4.6% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Net Increase (Decrease) | | | | \$16,789 | \$17,209 | \$17,639 | \$18,080 | \$18,532 |
| Revised Forecast | \$1,617,662 | \$1,958,739 | \$1,868,534 | \$1,932,035 | \$1,980,337 | \$2,029,845 | \$2,080,591 | \$2,132,606 |
| Annual % Growth | 3.4% | 21.1% | -4.6% | 3.4% | 2.5% | 2.5% | 2.5% | 2.5% |

Revenue Source Summary:

Effective July 1, 2001, PL 2001, c. 714, established a new tax on residential treatment facilities (also known as intermediate care facilities for the mentally retarded or ICF's/MR) equal to 6% of each facility's annual gross patient services revenue. Residential treatment facility tax revenue accrues to Other Special Revenue funds and is dedicated for behavioral and developmental services, with a part of the proceeds of the tax used to replace reductions in General Fund appropriations for these services.

Revenue Source Forecast Factors and Trends:

Given this tax is based on residential treatment facility gross patient services revenue, the amount of the tax collected is driven by reimbursements from Medicaid, which accounts for almost all of the revenue for these facilities. Medicaid reimbursements to these facilities are driven by Medicaid reimbursement rates and the volume of services.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY07 collections through February 2007.

Hospital Tax

| | FY04 Actual | FY05 Actual | FY06 Actual | FY07 | FY08 | FY09 | FY10 | FY11 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Current Forecast | \$16,383,319 | \$48,907,135 | \$54,050,888 | \$56,212,924 | \$56,212,924 | \$56,212,924 | \$56,212,924 | \$56,212,924 |
| Annual % Growth | N/A | 198.5% | 10.5% | 4.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Net Increase (Decrease) | | | | \$3,268,453 | \$3,268,453 | \$3,268,453 | \$3,268,453 | \$3,268,453 |
| Revised Forecast | \$16,383,319 | \$48,907,135 | \$54,050,888 | \$59,481,377 | \$59,481,377 | \$59,481,377 | \$59,481,377 | \$59,481,377 |
| Annual % Growth | N/A | 198.5% | 10.5% | 10.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Revenue Source Summary:

For fiscal years beginning on or after July 1, 2003, a hospital tax was imposed equal to .74% of each hospital's annual net operating revenue. For fiscal years beginning on or after July 1, 2004, the hospital tax imposed was increased to 2.23% of each hospital's net operating revenue. While the hospital tax is dedicated to support hospital and other MaineCare programs, a portion of the proceeds replaces reductions in General Fund appropriations for these purposes. This hospital tax was added in PL 2003, c. 513 and amended in PL 2003, c. 673 and is distinct from the hospital assessment repealed in 1998 and the one-time hospital assessment in effect for 2003.

Revenue Source Forecast Factors and Trends:

The hospital tax rate was increased to 2.23 % for 2005. The tax base was originally fixed after 2005, but PL 2005, c. 12 allowed for growth in the tax base through FY07. The tax base and rate is then fixed thereafter.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY07 collections through February 2007, and an updated estimate of revenue that will be generated when the second major annual payment is made in May 2007.

Service Provider Tax (Dedicated Revenue)

| | FY04 Actual | FY05 Actual | FY06 Actual | FY07 | FY08 | FY09 | FY10 | FY11 |
|-------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Current Forecast | \$0 | \$15,430,099 | \$30,779,242 | \$31,215,524 | \$31,662,714 | \$32,121,082 | \$32,590,911 | \$33,072,485 |
| Annual % Growth | N/A | N/A | 99.5% | 1.4% | 1.4% | 1.4% | 1.5% | 1.5% |
| Net Increase (Decrease) | | | | \$2,934,187 | \$3,340,740 | \$3,757,458 | \$4,184,593 | \$4,622,406 |
| Revised Forecast | \$0 | \$15,430,099 | \$30,779,242 | \$34,149,711 | \$35,003,454 | \$35,878,540 | \$36,775,504 | \$37,694,891 |
| Annual % Growth | N/A | N/A | 99.5% | 11.0% | 2.5% | 2.5% | 2.5% | 2.5% |

Revenue Source Summary:

Enacted in PL 2003, c. 673, Part V, effective July 1, 2004, revenue from this tax on private non-medical institution (PNMI) services accrues to Other Special Revenue fund accounts in the Department of Health and Human Services and is used to fund MaineCare services, with a part of the proceeds of the tax used to replace General Fund appropriations for these purposes. (Note: revenue from services subject to this tax that were formerly taxed under the sales and use tax, accrue to the general fund - see general fund description). MaineCare-related services subject to this tax have been expanded to include: community support services (effective 6/29/05), day habilitation services (effective 7/1/05), personal support services (effective 7/1/05) and residential training services (effective 7/1/05).

Revenue Source Forecast Factors and Trends:

Revenue from this tax is dependent on the volume of payments in a given year for the services (mostly MaineCare) subject to the tax. The PNMI portion of the tax was first in effect for state fiscal year 2005, with actual revenue reflecting approx. 11 months of collections. The forecast for the PNMI tax is based on a full 12 months of services for state fiscal year 2006 trended forward for future years at 2.5%. The forecast for the other MaineCare service providers added for FY06 is based on enacted amounts that were based on estimated MaineCare service volume, updated for actual collections to date.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY07 collections through February 2007.