

Appendix D

Medicaid/MaineCare Dedicated Revenue Taxes

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

Source	FY04 Actual	% Chg.	FY05 Actual **	% Chg.	FY06 Actual ***	% Chg.	FY07 Actual	% Chg.	FY07 Budget	FY07 Variance	% Chg.
Nursing Facility Tax	30,501,448	38.3%	29,241,327	-4.1%	31,397,376	7.4%	30,061,513	-4.3%	29,858,844	202,668	0.7%
Residential Treatment Facility (ICFs/MR) Tax	1,617,662	3.4%	1,958,739	21.1%	1,868,534	-4.6%	1,880,205	0.6%	1,932,036	(51,831)	-2.7%
Hospital Tax *	16,383,319	N/A	48,907,135	198.5%	54,050,888	10.5%	59,807,056	10.6%	59,481,377	325,679	0.5%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	0	N/A	15,430,099	N/A	30,779,242	99.5%	33,955,412	10.3%	34,149,711	(194,299)	-0.6%
Total - Health Care Provider Taxes	48,502,429	105.4%	95,537,301	97.0%	118,096,040	23.6%	125,704,185	6.4%	125,421,968	282,217	0.2%
Change in Biennial Totals											

* 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 - DECEMBER 2007

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Nursing Facility Tax	30,605,315	1.8%	207,736	30,813,051	2.5%	31,370,449	2.5%	212,928	31,583,377	2.5%
Residential Treatment Facility (ICFs/MR) Tax	1,980,337	5.3%	(53,127)	1,927,210	2.5%	2,029,845	2.5%	(54,455)	1,975,390	2.5%
Hospital Tax *	59,481,377	-0.5%	0	59,481,377	-0.5%	59,481,377	0.0%	0	59,481,377	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	35,003,453	3.1%	2,402,061	37,405,514	10.2%	35,878,540	2.5%	2,462,114	38,340,654	2.5%
Total - Health Care Provider Taxes	127,070,482	1.1%	2,556,670	129,627,152	3.1%	128,760,211	1.3%	2,620,587	131,380,798	1.4%
Change in Biennial Totals								5,177,257		

* 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 - DECEMBER 2007

Source	FY10 Forecast	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Forecast	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Nursing Facility Tax	32,154,709	2.5%	218,252	32,372,961	2.5%	32,958,577	2.5%	223,708	33,182,285	2.5%
Residential Treatment Facility (ICFs/MR) Tax	2,080,591	2.5%	(55,816)	2,024,775	2.5%	2,132,606	2.5%	(57,212)	2,075,394	2.5%
Hospital Tax *	59,481,377	0.0%	0	59,481,377	0.0%	59,481,377	0.0%	0	59,481,377	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	36,775,504	2.5%	2,523,664	39,299,168	2.5%	37,694,891	2.5%	2,586,756	40,281,647	2.5%
Total - Health Care Provider Taxes	130,492,181	1.3%	2,686,100	133,178,281	1.4%	132,267,451	1.4%	2,753,252	135,020,703	1.4%
Change in Biennial Totals								5,439,352		

* 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 Actual	FY08	FY09	FY10	FY11
Current Forecast	\$30,501,448	\$29,241,327	\$31,397,376	\$30,061,513	\$30,605,315	\$31,370,449	\$32,154,709	\$32,958,577
Annual % Growth	38.3%	-4.1%	7.4%	-4.3%	1.8%	2.5%	2.5%	2.5%
Net Increase (Decrease)					\$207,736	\$212,928	\$218,252	\$223,708
Revised Forecast	\$30,501,448	\$29,241,327	\$31,397,376	\$30,061,513	\$30,813,051	\$31,583,377	\$32,372,961	\$33,182,285
Annual % Growth	38.3%	-4.1%	7.4%	-4.3%	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. The forecast was not revised to reflect the possible impact of Section 403 of the federal Tax Relief and Health Care Act of 2006 (TRHCA), PL 109-432, that will limit Medicaid provider taxes to 5.5% of the revenues received by the taxpayer effective for fiscal year years beginning after January 1, 2008, and before October 1, 2011. Conformity with this federal change will require a change to Maine statute.

Service Provider Tax (Dedicated Revenue)

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	\$0	\$15,430,099	\$30,779,242	\$33,955,412	\$35,003,454	\$35,878,540	\$36,775,504	\$37,694,891
Annual % Growth	N/A	N/A	99.5%	21.1%	3.1%	2.5%	2.5%	2.5%
Net Increase (Decrease)					\$2,402,061	\$2,462,114	\$2,523,664	\$2,586,756
Revised Forecast	\$0	\$15,430,099	\$30,779,242	\$33,955,412	\$37,405,515	\$38,340,654	\$39,299,168	\$40,281,647
Annual % Growth	N/A	N/A	99.5%	10.3%	10.2%	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.

Forecast Recommended Changes:

The forecast has been updated to reflect actual FY07 collections and FY 08 collections through October 2007. Future year growth assumption are unchanged.

Residential Treatment Facility (ICF's/MR) Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Actual	FY08	FY09	FY10	FY11
Current Forecast	\$1,617,662	\$1,958,739	\$1,868,534	\$1,880,205	\$1,980,337	\$2,029,845	\$2,080,591	\$2,132,606
Annual % Growth	3.4%	21.1%	-4.6%	0.6%	5.3%	2.5%	2.5%	2.5%
Net Increase (Decrease)					(\$53,127)	(\$54,455)	(\$55,816)	(\$57,212)
Revised Forecast	\$1,617,662	\$1,958,739	\$1,868,534	\$1,880,205	\$1,927,210	\$1,975,390	\$2,024,775	\$2,075,394
Annual % Growth	3.4%	21.1%	-4.6%	0.6%	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. The forecast was not revised to reflect the possible impact of Section 403 of the federal Tax Relief and Health Care Act of 2006 (TRHCA), PL 109-432, that will limit Medicaid provider taxes to 5.5% of the revenues received by the taxpayer effective for fiscal year years beginning after January 1, 2008, and before October 1, 2011. Conformity with this federal change will require a change to Maine statute.