

Appendix D

Medicaid/MaineCare Dedicated Revenue Taxes

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MEDICAID/MAINECARE DEDICATED REVENUE TAXES
REVENUE FORECASTING COMMITTEE RECOMMENDATIONS - MARCH 2008

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 - MARCH 2008

Source	FY08 Budget	% Chg.	Recom. Chg.	FY08 Revised	% Chg.	FY09 Budget	% Chg.	Recom. Chg.	FY09 Revised	% Chg.
Nursing Facility Tax	30,813,051	2.5%	1,391,679	32,204,730	7.1%	31,583,377	2.5%	1,426,471	33,009,848	2.5%
Residential Treatment Facility (ICFs/MR) Tax	1,927,210	2.5%	(280,201)	1,647,009	-12.4%	1,975,390	2.5%	(287,206)	1,688,184	2.5%
Hospital Tax *	59,481,377	-0.5%	(838,355)	58,643,022	-1.9%	59,481,377	0.0%	838,355	60,319,732	2.9%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	37,405,514	10.2%	(619,253)	36,786,261	8.3%	38,340,654	2.5%	(634,736)	37,705,918	2.5%
Total - Health Care Provider Taxes	129,627,152	3.1%	(346,130)	129,281,022	2.8%	131,380,798	1.4%	1,342,884	132,723,682	2.7%
Change in Biennial Totals								996,754		

* 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 2008**

Source	FY10 Projection	% Chg.	Recom. Chg.	FY10 Revised	% Chg.	FY11 Projection	% Chg.	Recom. Chg.	FY11 Revised	% Chg.
Nursing Facility Tax	32,372,961	2.5%	1,462,133	33,835,094	2.5%	33,182,285	2.5%	1,498,686	34,680,971	2.5%
Residential Treatment Facility (ICFs/MR) Tax	2,024,775	2.5%	(294,386)	1,730,389	2.5%	2,075,394	2.5%	(301,745)	1,773,649	2.5%
Hospital Tax *	59,481,377	0.0%	0	59,481,377	-1.4%	59,481,377	0.0%	0	59,481,377	0.0%
Service Provider Tax - Private Non-Medical Institutions (PNMIs)	39,299,168	2.5%	(650,602)	38,648,566	2.5%	40,281,647	2.5%	(666,867)	39,614,780	2.5%
Total - Health Care Provider Taxes	133,178,281	1.4%	517,145	133,695,426	0.7%	135,020,703	1.4%	530,074	135,550,777	1.4%
Change in Biennial Totals								1,047,219		

* 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	\$30,813,051	\$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%
Net Increase (Decrease)					\$1,391,679	\$1,426,471	\$1,462,133	\$1,498,686
Revised Forecast	\$30,501,448	\$29,241,327	\$31,397,376	\$30,061,513	\$32,204,730	\$33,009,848	\$33,835,094	\$34,680,971
Annual % Growth	38.3%	-4.1%	7.4%	-4.3%	7.1%	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 and FY 08 collections through January 2008. Future year growth assumption are unchanged. 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 similar to that proposed in Part X of LD 2173, the Governor's 2008-2009 supplemental budget bill.

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	\$1,927,210	\$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%
Net Increase (Decrease)					(\$280,201)	(\$287,206)	(\$294,386)	(\$301,745)
Revised Forecast	\$1,617,662	\$1,958,739	\$1,868,534	\$1,880,205	\$1,647,009	\$1,688,184	\$1,730,389	\$1,773,649
Annual % Growth	3.4%	21.1%	-4.6%	0.6%	-12.4%	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 and FY08 collections through January 2008. Future year growth assumption are unchanged. 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 similar to that proposed in Part X of LD 2173, the Governor's 2008-2009 Supplemental Budget Bill.

Hospital Tax

	FY04 Actual	FY05 Actual	FY06 Actual	FY07	FY08	FY09	FY10	FY11
Current Forecast	\$16,383,319	\$48,907,135	\$54,050,888	\$59,807,056	\$59,481,377	\$59,481,377	\$59,481,377	\$59,481,377
Annual % Growth	N/A	198.5%	10.5%	10.6%	-0.5%	0.0%	0.0%	0.0%
Net Increase (Decrease)					(\$838,355)	\$838,355	\$0	\$0
Revised Forecast	\$16,383,319	\$48,907,135	\$54,050,888	\$59,807,056	\$58,643,022	\$60,319,732	\$59,481,377	\$59,481,377
Annual % Growth	N/A	198.5%	10.5%	10.6%	-1.9%	2.9%	-1.4%	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 are then fixed thereafter.

Forecast Recommended Changes:

The forecast has been modified for FY 08 and FY 09 to reflect an anticipated one-time delay in collections for FY 08. Future year growth assumption are unchanged.

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	\$37,405,515	\$38,340,654	\$39,299,168	\$40,281,647
Annual % Growth	N/A	N/A	99.5%	21.1%	10.2%	2.5%	2.5%	2.5%
Net Increase (Decrease)					(\$619,253)	(\$634,736)	(\$650,602)	(\$666,867)
Revised Forecast	\$0	\$15,430,099	\$30,779,242	\$33,955,412	\$36,786,262	\$37,705,918	\$38,648,566	\$39,614,780
Annual % Growth	N/A	N/A	99.5%	10.3%	8.3%	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 January 2008. Future year growth assumption are unchanged.