

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3245-01
BILL NO.: HB 1317
SUBJECT: Dentists; Medicaid; Taxation and Revenue - General; Taxation and Revenue -
Income
TYPE: Original
DATE: January 25, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2000	FY 2001	FY 2002
General Revenue	(\$48,680)	(\$9,525,442)	(\$9,526,880)
Total Estimated Net Effect on <u>All</u> State Funds	(\$48,680)	(\$9,525,442)	(\$9,526,880)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2000	FY 2001	FY 2002
Federal	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

***Federal matching funds would be received to offset costs of \$15,000 annually.**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2000	FY 2001	FY 2002
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** did not respond to our fiscal impact request. However, in responding to a similar proposal last session, DOR stated the proposal would allow a credit to dentists for services rendered that are classified under Medicaid. The number of taxpayers eligible to claim the credit was 746 and DOR would process the credit with existing staff and resources. If the number of credits received ever exceeds 3,680, one Tax Processing Technician would be requested by the Division of Taxation.

Officials of the **Department of Social Services (DOS)** state this proposal creates an income tax credit for dentists providing between \$1,000 and \$50,000 Medicaid reimbursable services in a tax year. The amount of the tax credit would be the lesser of fifty percent of the Medicaid allowable reimbursement actually provided or the difference between eighty percent of the UCR and the Medicaid allowable reimbursement. DOS staff assume:

- (1) * Dentists must be enrolled as Medicaid providers. Division of Medical Services must have a signed provider agreement to release integral, confidential information (i.e. whether a patient is currently Medicaid-eligible).
 - (2) * There are 3,718 Missouri-Licensed dentists in-state, of which 722 are actively providing dental services for the Medicaid program. There are 664 dentists actively providing dental services in the Medicaid fee-for-service program and 267 dentists actively providing dental services in the MC+ program. Of these, 209 dentists are actively providing dental services in both the fee-for-service program and the MC+ program.
 - (3) * Estimate 25% of unenrolled dentists will enroll or re-enroll each year because of the tax credit ($3,718 - 722 = 2,996 \times 25\% = 750$). Estimate 375 unenrolled dentists will enroll or re-enroll the first year because of the tax credit and an additional 375 will enroll or re-enroll in subsequent years.
 - (4) * The Division of Medical Services estimates one additional Medicaid Clerk would be necessary to process the additional enrollments and re-enrollments of providers due to this legislation.
- * The Division of Budget and Finance assume that it would be their responsibility for auditing provisions of dental services agreements entered into by the DOS.

ASSUMPTION (continued)

* It is assumed that audits would be random and that not all dentists participating in the program will be subjected to an audit each year. The Division of Budget and Finance would request one new Auditor I to perform approximately 30 audits of dentists each year. This ratio, 30 contracts per auditor, allows approximately 70 hours per audit including travel, report preparation and review time. In-state travel expenses are assumed to be \$200 per month including mileage, lodging and meal reimbursements. This estimate is based on monthly expenses for existing department audit staff.

- (5) * The tax credit would be 50% of the value of the Medicaid allowable reimbursement actually provided. DMS assumes this means the value of the service based on the Medicaid fee schedule.
- (6) Provider Ranking List (MARS report HMMR388M) reports dental providers by YTD Medicaid payments. The Division of Medical Services used report @ 6/30/95 to reflect dental providers and payments prior to the implementation of MC+. The 6/30/95 report will include both the fee-for-service program amounts and the MC+ program amounts.
- (7) Calculated an adjustment to the 6/30/95 report to reflect current year activity. The Medicaid population decreased by 20,849 recipients between 06/30/95 and 06/30/98. Approximately 30% of recipients received dental services. The average payment per recipient for dental services was \$111.20. Therefore, the adjustment totals \$695,523 (20,849 x 30% x \$111.20).

	Medicaid Providers @ 6/30/95	Medicaid Paid @ 6/30/95
\$50,000	105 providers	\$5,250,000
\$1,000 - \$49,999	601 providers	8,660,628
\$999 and below	160 providers	0
	866 providers	----- \$13,910,628
Less: Adjustment for reduction in Medicaid population [see item (6) above]		(\$695,523)

Subtotal before increased Dental Provider Enrollment \$15,260	375 new providers	\$13,215,105 average \$15,260 \$5,722,500 -----

ASSUMPTION (continued)

POTENTIAL AVAILABLE FOR TAX CREDIT	\$18,937,605
	x 50%

ESTIMATED TAX CREDIT/TAX REFUND	\$9,468,803

Oversight assumes this legislation would become effective for tax years beginning Jan. 1, 2001 and that costs would not be accrued until returns were filed in FY 2002.

Officials from the **Office of Administration** defer to the revenue effect provided by DOS.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
	(6 Mo.)		

GENERAL REVENUE FUND

<u>Loss - General Revenue Fund</u>			
Dental Income tax credit	\$0	(\$9,468,803)	(\$9,468,803)

<u>Cost - General Revenue Fund</u>			
<u>Department of Social Services (DOS)</u>			
Personal Service (1.5 FTE)	(\$24,930)	(\$39,914)	(\$40,912)
Fringe Benefits	(\$7,667)	(\$12,274)	(\$12,580)
Expense and Equipment	(\$16,083)	(\$4,451)	(\$4,585)
Administrative <u>Cost - DOS</u>	(\$48,680)	(\$56,639)	(\$58,077)

ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	(\$48,680)	(\$9,525,442)	(\$9,526,880)
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FEDERAL FUND

Income - Department of Social Services			
Medicaid reimbursements	\$18,765	\$15,249	\$15,632

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
(continued)	(6 Mo.)		

Cost - Federal Fund

Department of Social Services (DOS)

Personal Service (.5 FTE)	(\$10,920)	(\$11,193)	(\$11,473)
Fringe Benefits	(\$3,558)	(\$3,442)	(\$3,528)
Expense and Equipment	(\$4,287)	(\$614)	(\$631)
Administrative <u>Cost</u> - DOS	<u>(\$18,765)</u>	<u>(\$15,249)</u>	<u>(\$15,632)</u>

**ESTIMATED NET EFFECT TO
 FEDERAL FUND**

\$0 \$0 \$0

FISCAL IMPACT - Local Government

FY 2001 FY 2002 FY 2003
 (6 Mo.)

\$0 \$0 \$0

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent they would be eligible to claim the income tax credit.

DESCRIPTION

This proposal would authorize an income tax credit for dentists who provide qualified dental services for Medicaid recipients. For each tax year a credit is claimed, the director of the Department of Social Services would enter into an agreement with participating dentists specifying that at least \$1,000 worth of dental services would be provided to persons eligible for Medicaid. A participating dentist would claim a tax credit equal to the lesser of 50% of the value of the Medicaid allowable reimbursement or the difference between 80% of the usual and customary reimbursement as determined by the most recent American Dental Association fee survey of the west north central states and the Medicaid allowable reimbursement for such service. The maximum tax credit for any one year could not exceed \$50,000. If the credit claimed exceeds the tax liability, the difference would be returned as a tax refund. Persons falsely claiming a tax credit would be guilty of a class A misdemeanor. The Department of Revenue would administer and would promulgate rules related to the tax credit provisions of this proposal. Rules governing the dental services agreement would be promulgated by the Department of Social Services.

DESCRIPTION (continued)

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The proposal would become effective January 1, 2001.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
Department of Revenue
Office of Administration
Division of Budget and Planning



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Director
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