GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

# Fiscal Note 2027 Biennium

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| Bill#/Title: | **SB0554.01: Generally revise laws related to hospitals operating as nonprofit care facilities** |
| Primary Sponsor: | Greg Hertz |
| Status: | As Introduced |

☐ Included in the Executive Budget ☒ Needs to be included in HB 2 ☐ Significant Local Gov Impact

☐ Significant Long-Term Impacts ☐ Technical Concerns ☒ Dedicated Revenue Form Attached

## FISCAL SUMMARY

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|---|---|---|---|---|
| **Expenditures** | | | | |
| General Fund (01) | $567,548 | $90,906 | $92,114 | $93,342 |
| **Revenues** | | | | |
| General Fund (01) | $0 | $0 | $0 | $0 |
| **Net Impact** | | | | |
| **General Fund Balance** | ($567,548) | ($90,906) | ($92,114) | ($93,342) |

**Description of fiscal impact**

SB 554 revises laws related to nonprofit healthcare facilities, specifically limiting what these facilities may charge for services or items to 300% of the Medicare reimbursement rate. It also establishes an excise tax for facilities that charge more than this limit, and creates a dedicated account for these tax proceeds to fund Medicaid and rural healthcare workforce development. SB 554 creates a new nonprofit health care facility excess charge tax. The tax applies to eligible fees starting January 1, 2027. The Department of Revenue is unable to determine the revenue impact associated with this new tax. Administrative costs associated a new tax in the tax adminstration softwear and a tax examiner position will increase general fund expenditures by $567,548 in FY 2026, $90,906 in FY 2027, $92,114 in FY 2028 and $93,342 in FY 2029.

## FISCAL ANALYSIS

**Assumptions**

**Department of Revenue (DOR/department)**

1. SB 554 creates a nonprofit health care facility excess charge tax. The tax applies to hospitals operating as a nonprofit health care facility in the state that charge more than 300% of the Medicare reimbursement rate for a Medicare-eligible service or item. Critical access hospitals and rural emergency hospitals are exempt from the tax.
2. The tax applies to services provided after December 31, 2026.
3. For calendar year (CY) 2027, the tax is 25% of the amount the hospital charged to qualifying patients in excess of 300% of the Medicare reimbursement rate. For CY 2028, 2029 and 2030, the tax percentage is increased from 25% to 35%, 45% and 50%, respectively. The percentage rate for the tax remains unchanged at 50% after CY 2030.
4. Facilities subject to the tax are required to submit monthly payments to the department before the 10th day of each month.

5. Any revenue generated by the health care facility excess charge tax shall be deposited into a state special revenue fund that is to be administered by the Montana Department of Public Health and Human Services.
6. According to the IRS, and the Montana Department of Public Health and Humans Services, there are currently 56 nonprofit healthcare facilities in Montana, with six of these facilities not being critical access hospitals and potentially subject to the new tax.
7. To determine the amount of revenue this tax would generate, the department would require information on the number of services performed by each qualifying hospital and the amount charged to each patient for the services performed.
8. While hospitals are required to post clear and accessible pricing information online about the items and services they provide, the department does not have information on the number of services performed and items provided, nor which prices were charged to each patient.
9. Because of this, the department cannot determine how much revenue the proposed tax will generate each year.

***DOR Administrative Costs***

10. As this is a new tax, the department will require $475,000 in FY 2026 to set up our tax processing software to handle a new tax type.
11. The department will also require an additional 1.00 FTE to administer this new tax. The position will increase department expenditures by $92,548 in FY 2026, $90,906 in FY 2027, $92,114 in FY 2028 and $93,342 in FY 2029.
12. In total, the proposed bill will increase department costs by $567,548 in FY 2026, $90,906 in FY 2027, $92,114 in FY 2028 and $93,342 in FY 2029.

**Department of Public Health and Human Services (DPHHS)**

13. This bill revises laws related to nonprofit healthcare facilities, specifically limiting what these facilities may charge for services or items to 300% of the Medicare reimbursement rate. It also establishes an excise tax for facilities that charge more than this limit, with section 11 creating a dedicated account for these tax proceeds to fund Medicaid and rural healthcare workforce development. The only section pertaining to DPHHS is section 11, as the remaining sections are codified under the Department of Revenue, and section 11 merely establishes a fund for the agency. Therefore, there is no fiscal impact to DPHHS.

**Legislative Branch**

14. Section 1 (5) requires certain nonprofit health care facilities submit an annual report to the Children, Families, Health, and Human Services (CFHHS) interim committee and the Department of Public Health and Human Services, by September 1 of each year. The reporting to CFHHS is considered a normal part of business, and there is no impact to the legislative branch.

**Fiscal Analysis Table**

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|---|---|---|---|---|
| **Fiscal Impact** | | | | |
| FTE | 1.00 | 1.00 | 1.00 | 1.00 |
| **TOTAL Fiscal Impact** | **1.00** | **1.00** | **1.00** | **1.00** |
| **Expenditures** | | | | |
| Personal Services | $80,437 | $81,453 | $82,485 | $83,532 |
| Operating Expenses | $484,153 | $9,453 | $9,629 | $9,810 |
| Equipment | $2,958 | $0 | $0 | $0 |
| **TOTAL Expenditures** | **$567,548** | **$90,906** | **$92,114** | **$93,342** |
| **Funding of Expenditures** | | | | |
| General Fund (01) | $567,548 | $90,906 | $92,114 | $93,342 |
| **TOTAL Funding of Expenditures** | **$567,548** | **$90,906** | **$92,114** | **$93,342** |
| **Revenues** | | | | |
| **Net Impact to Fund Balance (Revenue minus Funding of Expenditures)** | | | | |
| General Fund (01) | ($567,548) | ($90,906) | ($92,114) | ($93,342) |

NO SPONSOR SIGNATURE 4/2

Sponsor's Initials Date

Budget Director's Initials 4/1/2025 Date

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

# Dedication of Revenue 2027 Biennium

**17-1-507, MCA.**

1. **Are there persons or entities that benefit from this dedicated revenue that do not pay?**

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| *No*<br><br>No persons or entities that benefit from this revenue source do not pay fees. |

2. **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

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| *No*<br><br>65% and any portion remaining after administrative costs may be used to fund expenses related to the Montana Medicaid program. This state special revenue account could be used to offset general fund state matching percentage for Medicaid. |

3. **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended?**

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| *Yes*<br><br>65% and any portion remaining after administrative costs may be used to fund expenses related to the Montana Medicaid program |

4. **Does the need for this state special revenue provision still exist?**

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| *Yes*<br><br>It is codified under Title 50, MCA, in section 11 of SB 554 |

5. **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?**

*No*

This dedicated revenue does not affect the legislature's ability to scrutinize budgets, control expenditures, or establish state spending.

6. **Does the dedicated revenue fulfill a continuing, legislatively recognized need?**

*Yes*

The dedicated revenue source can be used to offset the general fund state matching percentage of the existing Montana Medicaid program.

7. **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? Also, if the program/activity were general funded, could you adequately account for the program/activity?**

*Yes*

The dedicated revenue could be used to offset the general fund state matching percentage of the Montana Medicaid program. It neither creates an efficiency or inefficiency.