



# CITY OF SOUTH BEND

## DEPARTMENT OF ADMINISTRATION & FINANCE

### Memorandum

Wednesday, February 20, 2019

TO: South Bend Common Council  
FROM: Daniel Parker, City Controller  
SUBJECT: Response to Questions regarding Medicaid Reimbursement and Road Funding

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#### **Background**

During the Mayor's Annual Address to Council on February 11, 2019, Members of the Common Council raised several questions regarding the status of Medicaid reimbursement for EMS and ongoing discussions about the road funding distribution formula from the State of Indiana. This memo is meant to provide background and specific answers to those questions.

#### **Medicaid Reimbursement for EMS**

At issue is the Medicaid "Supplemental Payment Adjustment", a program administered by the State but funded by the Federal Government. This program is intended to reimburse government-owned ambulance providers for a portion of the actual incurred costs of providing ambulance services to eligible Medicaid beneficiaries.

- Annually, these payments to the City have generally been in excess of \$1 million, and the highest payout seen was \$1.7 million.
- In 2019, we expect a payment of \$443,000 (for 2017's costs) as our Medicaid Supplemental Payment Adjustment
- Over the past few years, the amount of the payment has been declining as more patients move from Traditional Medicaid to Managed Care
  - For background, there are two ways that Medicaid recipients can receive benefits – either through a plan directly administered by the State government ("Traditional Medicaid") or through a plan administered by a for-profit commercial insurance company ("Managed Care"). These for profit companies are paid by the State to provide coverage for Medicaid beneficiaries and are incentivized to lower plan costs and improve quality of care provided.
  - Over the past several years, the State has moved more Medicaid patients into Managed Care plans and away from Traditional Medicaid in an effort to save money and improve quality. Most Medicaid recipients in Indiana are now using a Managed Care plan.
  - The Medicaid Supplemental Payment Adjustment applies only to patients who have Traditional Medicaid and not to patients who have a Managed Care plan
- As long as we continue to collect Traditional Medicaid payments from patients, Blue and Co. (the City's consultant) expects there will be some opportunity for reimbursement. It is hard to know where the floor may be, but we may be approaching it as our rate of decrease has slowed.

#### **Road Funding**

There were two separate laws that impacted road funding in the past several years. Relevant changes to road funding as a result of these laws include:

- Public Law 218 of 2017 (Effective July 1, 2017)
  - Raised gasoline tax from \$0.18 per gallon to \$0.28 per gallon, with annual indexed increases of up to \$0.01

- Required that the first \$70 million collected from the gasoline tax be transferred directly to the state highway road constructions and improvement fund (rather than being distributed between the State and Local governments)
- Public Law 185 of 2018 (Effective July 1, 2018)
  - Raised special fuel tax from \$0.26 per gallon to \$0.47 per gallon, and repealed the Motor Carrier Surcharge tax (previously \$0.21 per gallon)
  - Decreased the share of the State's Motor Vehicle Highway Account set aside for cities and towns to 12.13%. Under prior law, that set-aside rate was set to decline gradually from 14.52% in State fiscal year 2018 to 12.77% for State fiscal year 2023.
    - This 12.13% of the MVH account is allocated by the State to individual cities and towns on a population basis
  - Decreased the share of the State's Highway, Road and Street Fund set aside for counties, cities and towns from 45% to 37%
    - This 37% is distributed to counties on the basis of the number of passenger car registrations. Counties then allocate their share among cities/towns on the basis of population and road/street miles
- Unfortunately, the State itself admits that these changes are so complex that it is difficult to forecast the net impact. The general projection is that South Bend's road funding in 2019 and 2020 will still be higher than it was prior to 2017, but not quite as high as it was thought it was going to be before the passage of PL 185 in 2018.