

**STATE
FISCAL IMPACT**

Drafting Number: LLS 10-1002
Prime Sponsor(s): Rep. Ferrandino
 Sen. White

Date: March 29, 2010
Bill Status: House Appropriations
Fiscal Analyst: Bill Zepernick (303-866-4777)

TITLE: CONCERNING A REDUCTION IN THE GENERAL FUND PORTION OF THE PER DIEM RATES PAID TO NURSING FACILITIES FOR THE 2010-11 FISCAL YEAR, AND MAKING AN APPROPRIATION IN CONNECTION THEREWITH.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
Cash Funds		
Medicaid Nursing Facility Cash Fund	\$5,806,343	
State Expenditures		
General Fund	(\$8,211,333)	
Cash Funds		
Medicaid Nursing Facility Cash Fund	5,806,343	
<u>Federal Funds</u>	<u>(3,829,699)</u>	
Total	(\$6,234,689)	
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.		
Appropriation Summary for FY 2010-2011: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

HB 1379, recommended by the Joint Budget Committee as part of the budget package for FY 2010-11, makes changes to nursing facility reimbursement. Specifically, it reduces the per diem rate paid to nursing facilities under Medicaid by 2.5 percent for FY 2010-11; an increase from the rate cut of 1.5 percent rate cut in current law. The bill also limits the annual increase in the General Fund share of the per diem rate to 1.9 percent from the prior fiscal year. Under current law, the General Fund share of the rate can increase annually by up to 5.0 percent.

State Revenues

Revenue to the Department of Health Care Policy and Financing is expected to increase by \$5.8 million in the Medicaid Nursing Facility Cash Fund in FY 2010-11. This revenue is from higher fees paid by nursing facilities to offset the reduced General Fund portion of the per diem rate.

Fee Impact on Business. Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The table below identifies the fee impact of this bill.

Table 1. Fee Impact on Business					
Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected*	Total Fee Impact
Nursing Facility Provider Fee	\$5.27	\$7.50	\$2.23	2,603,741	\$5,806,343

* This represents the estimated number of patient-days for which the provider fee will be charged. The fee is estimated to impact about 150 nursing facilities.

State Expenditures

Total state expenditures in the Department of Health Care Policy and Financing will decrease by \$6.2 million in FY 2010-11. Specifically, the per diem rate reduction will reduce expenditures by a total of \$6.2 million, of which \$2.4 million is General Fund and \$3.8 million is federal funds. In addition, reducing the allowable General Fund increase for per diem rates to 1.9 percent will reduce General Fund expenditures by \$5.8 million. This reduction will be offset by an increase of \$5.8 million from the Nursing Facility Cash Fund. These changes apply only to FY 2010-11, and the standard rate methodology will be in effect for FY 2011-12. Table 2 provides a summary of these expenditure changes for FY 2010-11.

Table 2. Expenditures Under HB10-1379 in FY 2010-11				
Cost Components	General Fund	Cash Funds*	Federal Funds	Total
Nursing Facility Per Diem Rate Reduction	(\$2,404,990)	\$0	(\$3,829,699)	(\$6,234,689)
Reducing General Fund Portion of Per Diem Rate	(5,806,343)	0	0	(5,806,343)
Increasing Cash Fund Portion of Per Diem Rate	0	5,806,343	0	5,806,343
TOTAL	(\$8,211,333)	\$5,806,343	(\$3,829,699)	(\$6,234,689)

*Nursing Facility Cash Fund

State Appropriations

The bill includes the following appropriations to the Department of Health Care Policy and Financing for Medical Services Premiums in FY 2010-11:

- a reduction of \$12,041,032, of which \$8,211,333 is General Fund and \$3,829,699 is federal funds; and
- an increase of \$5,806,343 from the Medicaid Nursing Facility Cash Fund.

Departments Contacted

Health Care Policy and Financing

Joint Budget Committee