


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 10-0855
Prime Sponsor(s): Rep. McKinley

Date: February 19, 2010
Bill Status: House Health and Human Services
Fiscal Analyst: Bill Zepernick (303-866-4777)

TITLE: CONCERNING THE REPEAL OF THE AUTHORITY OF THE EXECUTIVE DIRECTOR OF THE DEPARTMENT OF HUMAN SERVICES TO SELL THE TRINIDAD STATE NURSING HOME.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue Cash Funds Central Fund for State Nursing Homes	See State Revenue Section	
State Expenditures General Fund Cash Funds Central Fund for State Nursing Homes	See State Expenditures Section	
FTE Position Change		
Effective Date: August 11, 2010, assuming the General Assembly adjourns May 12, 2010, as scheduled and no referendum petition is filed.		
Appropriation Summary for FY 2010-2011: None required.		
Local Government Impact: None.		

Summary of Legislation

The bill repeals the authority of the Department of Human Services (DHS) to sell the Trinidad State Nursing Home.

Background

The DHS, Division of State and Veterans Nursing Homes, oversees 5 state-owned facilities that provide skilled nursing care, primarily to honorably discharged veterans and their spouses or widows. In general, the homes are funded through patient, pension, Medicaid, and U.S. Veteran's Administration payments. Section 26-12-110, C.R.S., provides that the state nursing homes shall constitute an enterprise under TABOR, which limits the amount of state funding that can be used to support their operations.

SB09-056 gave the department the authority to sell the Trinidad State Nursing Home and was signed into law on April 22, 2009. The department has taken steps to sell the nursing home, including issuing a request for proposals in January 2010 to find an interested buyer. The Department will accept bids on the nursing home through March 2010. This bill would end this process and the department would maintain ownership of the nursing home.

The Trinidad State Nursing Home has annual costs of \$8.1 million and revenue of \$7.0 million from payments made by or on behalf of residents, resulting in an annual operating loss of \$1.1 million per year. This operating loss is subsidized by the veterans nursing homes in the enterprise. Based on the current cost structure, revenue, and staffing requirements, the department does not expect Trinidad to become self-sufficient.

State Revenue

This bill eliminates the one-time revenue increase from the sale of the nursing home in the Central Fund for State Nursing Homes. A prior appraisal of the nursing home and surrounding property in October 2008 identified the value at \$4.0 million. However, since the bid process has not been completed, the exact revenue loss is unknown.

Keeping the nursing home under state control will maintain the current level of revenue to the Central Fund for State Nursing Homes from payments made by or on behalf of residents. This revenue is estimated to be \$7.0 million per year.

State Expenditures

The bill requires the department to maintain ownership and control of the Trinidad State Nursing Home. Therefore, the costs to operate the nursing home will continue at current levels. In addition, the state will save \$335,000 that would be paid to employees leaving the state personnel system for accrued leave time when the nursing home is sold. This cost would have been paid with proceeds from the sale of the nursing home.

The bill could result in the loss of more than \$10 million in federal funds, if changes to the funding of the Trinidad State Nursing Home are not made. Federal rules by the U.S. Department of Veterans Affairs prohibit using moneys dedicated to the veterans nursing homes for other purposes, and the department must make a good faith effort to repay the money that has been diverted to the Trinidad nursing home over the last several years. Selling the Trinidad nursing home would generate revenue to repay moneys to the veterans nursing homes and stop the ongoing transfer of funds from the veterans nursing homes to the Trinidad facility.

Due to the potential loss of federal funding discussed above, this analysis assumes that \$1.1 million from the General Fund would be required to support the Trinidad State Nursing Home annually. To provide this funding, a statutory change would likely be required to remove the home from enterprise status so that increased state funding does not violate TABOR requirements. State funding to cover the ongoing operating loss at the Trinidad nursing home will allow the veterans nursing homes to maintain federal funding.

No appropriation is required at this time. This analysis assumes that decisions on future funding for the Trinidad State Nursing Home will be address through the annual budget process, if this bill become law.

Departments Contacted

Human Services