

Colorado Legislative Council Staff Fiscal Note

STATE
FISCAL IMPACT

Drafting Number: LLS 11-0628

Date: February 14, 2011

Prime Sponsor(s): Sen. White
 Rep. Sonnenberg

Bill Status: Senate Health and Human Services
Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING MEDICAID NURSING FACILITY PROVIDER FEES, AND, IN CONNECTION THEREWITH, INCREASING THE CAP ON THE MEDICAID NURSING FACILITY PROVIDER FEE AND CHANGING THE PRIORITY OF USES FOR SUPPLEMENTAL PAYMENTS FROM THE MEDICAID NURSING FACILITY CASH FUND.

Fiscal Impact Summary	FY 2011-2012	FY 2012-2013
State Revenue		
Cash Funds		
Medicaid Nursing Facility Cash Fund	\$15,529,615	\$15,793,618
State Expenditures	<u>\$31,054,411</u>	<u>\$31,521,316</u>
Cash Funds		
Medicaid Nursing Facility Cash Fund	15,527,206	15,760,658
Federal Funds	15,527,205	15,760,658
FTE Position Change		
Effective Date: August 10, 2011, if the General Assembly adjourns on May 11, 2011, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2011-2012: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

Beginning in FY 2011-12, this bill increases the provider fee assessed on nursing facilities to a cap of \$12 per non Medicare-resident day, plus inflation. Under current law, this fee is capped at \$7.50, plus inflation. In FY 2011-12, the fee is \$7.75.

The bill also reorders the priority in which supplemental payments, using revenue generated from the provider fee, are made by the Department of Health Care Policy and Financing (DHCPF) to reimburse Medicaid nursing home facility providers. Under SB11-125, payments for acuity or case-mix of the residents are established as the second priority, and the General Fund growth cap payment is the lowest priority.

Background

The Nursing Facility Provider Fee was implemented in 2008 as result of Senate Bill 08-1114, which established a new reimbursement system for Medicaid recipients who reside in nursing homes and require 24-hour care. Most nursing facility providers, including those that do not serve Medicaid clients, are assessed a quality assurance fee by the DHC PF. Fees are set annually by the State Medical Services Board in accordance with federal regulations, charged on a non Medicare-resident day basis and based upon the aggregate gross or net revenue of all nursing facility providers subject to the fee. Fees are used for making supplemental payments to Medicaid nursing facilities, administrative costs related to the fee, and to limit growth of General Fund expenditures to 3 percent annually. Supplemental payments to nursing facilities may include reimbursements for administrative and general services; per diem rates for direct and indirect care, capital assets, and performance quality; increased per diem payments for clients with severe mental health conditions; and reimbursements for speech therapy services.

State Revenue

This bill will increase cash fund revenue by \$15.5 million in FY 2011-12, and \$15.8 million in FY 2012-13. This analysis assumes that the fee will increase to the limit of \$12 per non Medicare-resident day in FY 2011-12, and will be adjusted for inflation by an estimated 1.7 percent each year thereafter for the 147 nursing facilities currently subject to the fee.

State Expenditures

This bill increases state expenditures by \$31,054,411 in FY 2011-12, including \$15,527,206 cash funds and \$15,527,205 federal funds. In FY 2012-13, state expenditures are increased by \$31,521,316, in equal amounts of cash funds and federal funds. Table 1 and the discussion that follows address the cost components of the bill.

Table 1. Expenditures Under SB11-125		
Cost Components	FY 2011-12	FY 2012-13
Nursing Facility Reimbursements	\$30,994,411	\$31,461,316
Rate Consultant	60,000	60,000
TOTAL	\$31,054,411	\$31,521,316

Nursing facility reimbursements. Nursing facility provider fees are used to increase supplemental payments to reimburse Medicaid nursing home facility providers. The fiscal note assumes that the increased provider fee revenue will be matched with federal funds, and supplemental payments will total \$31 million in FY 2011-12, and \$31.5 million in FY 2012-13.

Rate consultant. The new system for determining nursing facility rates will require a consultant to determine and adjust fees, model reimburse rates, and provide guidance to DHCPF related to federal approval of fee waivers. This cost is anticipated to be \$60,000 per year.

State Appropriations

For FY 2011-12, the DHCPF requires an appropriation of \$31,054,411, including \$15,527,206 from the Medicaid Nursing Facility Cash Fund and \$15,527,205 federal funds.

Departments Contacted

Health Care Policy and Financing