



Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LLS 11-0962

Date: April 5, 2011

Prime Sponsor(s): Sen. Hodge

Bill Status: Senate Appropriations

Fiscal Analyst: Kerry White (303-866-3469)

TITLE: CONCERNING A REDUCTION IN THE GENERAL FUND PORTION OF THE PER DIEM RATES PAID TO NURSING FACILITIES FOR THE 2011-12 FISCAL YEAR, AND MAKING AN APPROPRIATION THEREFOR.

| Fiscal Impact Summary | FY 2011-2012 | FY 2012-2013 |
|--|-----------------------------|---------------------|
| State Revenue | | |
| State Expenditures | <u>(\$8,865,830)</u> | |
| General Fund | (4,432,915) | |
| Federal Funds | (4,432,915) | |
| FTE Position Change | | |
| Effective Date: Upon signature of the Governor, or upon becoming law without his signature. | | |
| Appropriation Summary for FY 2011-2012: See State Appropriations section. | | |
| Local Government Impact: None. | | |

Summary of Legislation

This bill reduces the General Fund portion of per diem rates paid to Medicaid nursing facility providers by 1.5 percent for FY 2011-12. The Department of Health Care Policy and Financing (DHCPF) is authorized, but not required, to increase the supplemental Medicaid payment as long as the provider fee does not exceed the amount specified in current law.

Background

Nursing facilities are reimbursed under Medicaid in two ways. First, the state pays per diem rates based on four cost components, which include: direct and indirect health care services, raw food, administrative and general services, and fair rental allowance. Per diem payments are made by the DHCPF with General Fund moneys matched by federal funds. Under current law, the General Fund share of per diem rates is capped to an annual increase of 3 percent.

The second manner of reimbursement to nursing facilities is in the form of supplemental payments. These payments may include reimbursement 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. Supplemental payments are funded by cash funds augmented with matching federal funds. Cash fund revenue is generated from the Nursing Facility Provider Fee, established in 2008 under House Bill 08-1114. Under current law, nursing facilities are assessed a fee, currently capped at \$7.50 per non Medicare-resident day, plus inflation. In FY 2011-12, this fee is anticipated to be \$7.75. 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.

State Expenditures

In FY 2011-12, state expenditures are reduced by \$8,865,830, including \$4,432,915 General Fund and \$4,432,915 federal funds. The reduction is achieved from reducing the General Fund share of per diem rates for Medicaid nursing facility providers by 1.5 percent.

State Appropriations

For FY 2011-12, the bill requires a reduction in the appropriations for medical services premiums to the Department of Health Care Policy and Financing of \$8,865,830. Of this amount, \$4,432,915 is from the General Fund and \$4,432,915 is federal funds.

Departments Contacted

Health Care Policy and Financing

Joint Budget Committee