

**STATE and LOCAL
FISCAL IMPACT**

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Prime Sponsor(s): Sen. Tochtrop Rep. Primavera	Bill Status: Senate Health & Human Services Fiscal Analyst: Alex Schatz (303-866-4375)

SHORT TITLE: INCREASE PERSONAL CARE ALLOWANCE NURSING FACILITY

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	\$26,703	\$54,928
General Fund	13,537	27,005
Cash Funds	224	46
Federal Funds	12,942	27,877
FTE Position Change		
Appropriation Required: \$26,703 - Multiple agencies (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

The bill raises from \$50 to \$75 per month the basic minimum amount that state licensed nursing facilities and intermediate care facilities allow a long-term care resident as a personal needs allowance (PNA). On July 1, 2015, and on July 1 of each year thereafter, the basic minimum amount is increased by the same percentage increase as the nursing facility provider rate.

Background

History of the PNA. A personal needs allowance for residents of Medicaid nursing facilities was enacted by federal law in 1987, at which time the minimum PNA was set at \$30. The PNA allows for the purchase of clothing and other goods and services that are not reimbursed by any state or federal program. States have the option to set the PNA at a higher rate. The most recent adjustment to the Colorado PNA occurred in 1999, when the allowance was increased to the current \$50 from \$34 by House Bill 99-1166. The PNA for veterans is separately established at \$90 per month and is unaffected by this bill.

Departments affected by the PNA. Based on the state's participation in Medicaid, Colorado provides funding to facilities affected by the bill (long-term care facilities, or LTCs). The PNA is funded through an allocation of resident fees; specifically by increasing the amount of monthly income retained by the resident, reducing the resident's monthly contribution to the cost of care. The bill affects two distinct populations:

- The Department of Health Care Policy and Financing (HCPF) pays for services provided to Medicaid-eligible patients in long-term care nursing facilities. Currently, there are approximately 9,434 nursing facility residents in Colorado that receive the PNA.

- The Department of Human Services (DHS) operates intermediate care facilities for individuals with intellectual disabilities or related conditions (ICF/IID). Approximately 164 ICF/IID residents in DHS Regional Centers receive the PNA.

Nursing facility reimbursements. The Nursing Facility Provider Fee was implemented in 2008 as a result of Senate Bill 08-1114, which established a new reimbursement system for Medicaid recipients who reside in state licensed nursing facilities. Under current law, this fee revenue is first used for administrative costs related to the fee, then for supplemental Medicaid payments related to specific resident populations and higher quality performance, and finally for growth in the average per diem reimbursement that exceeds statutory limits on General Fund expenditures.

Based on current budget projections, fee revenue will not be available to cover the cost of growth in the average per diem reimbursement. General Fund is also projected to be unavailable due to growth in expenditures at the statutory cap. With approximately 7,760 nursing facility residents that pay at least \$25 toward the cost of care, the bill results in a statewide reduction in nursing facility reimbursements of \$194,000 per month in FY 2014-15 and \$211,460 per month in FY 2015-16. This gap in reimbursements may be covered by any available funding source.

Federal Medicaid funds. State General Fund expenditures on Medicaid reimbursements are currently matched by federal funds on a dollar-for-dollar basis. On October 1, 2014, this ratio changes to a ratio of 51.01 percent federal funds and 48.99 percent state funds.

State Expenditures

The bill increases costs primarily in the DHS by \$26,703 in FY 2014-15 and by \$54,928 in FY 2015-16. As detailed in Table 1, the bill increases costs in the DHS for reimbursements to Regional Centers, funded through the HCPF budget, and increases costs in both departments and the Governor's Office of Information Technology (OIT) for modifications to the Colorado Benefits Management System (CBMS). The bill may also adjust funding in HCPF for supplemental Medicaid payments to nursing facilities.

Table 1. Expenditures and Funding Sources Under SB 14-130		
Cost Components	FY 2014-15	FY 2015-16
Reimbursements to Regional Centers (DHS)	\$20,500	\$53,628
CBMS Modifications (DHS/HCPF/OIT)	\$6,203	1,300
TOTAL	\$26,703	\$54,928
Funding Sources		
General Fund	\$13,537	\$27,005
Old Age Pension Cash Fund	222	46
Children's Basic Health Plan Trust	2	0
Federal Funds	12,942	27,877

Assumptions. To implement the bill, coordination with federal officials is required to authorize the PNA increase in a Medicaid state plan amendment. After initial meetings with stakeholders and work to draft the proposed state plan amendment, the Centers for Medicare and Medicaid Services (CMS) will require approximately six months to review the amendment. Thus, the fiscal note assumes that implementation costs under the bill occur between July 2014 and January 2015, and the PNA change will take effect on February 1, 2015.

In FY 2015-16 and each subsequent year, on July 1, the basic minimum amount of the PNA will be adjusted. Based on the projected growth of nursing facility provider reimbursement rates, the PNA increases by 3.0 percent on July 1, 2015, to \$77.25.

DHS — Regional Centers. The DHS will be required to backfill Medicaid payments for 164 ICF/IID residents that receive the increased PNA by \$20,500 (164 * \$25 * 5 mo.) in FY 2013-14 and \$53,628 (164 * \$27.25 * 12 mo.) in FY 2015-16. The DHS expenditure uses reappropriated funds from HCPF, appropriated in FY 2014-15 as \$10,043 General Fund and \$10,457 federal funds and, in FY 2015-16, as \$26,272 General Fund and \$27,356 federal funds.

Colorado Benefits Management System (CBMS). Changes to the CBMS are necessary, at a cost of \$6,203 in FY 2014-15. In FY 2014-15, 50 hours of programming at a rate of \$124 per hour is necessary for the state's vendor to modify income-related forms and benefits calculations based on the bill. In FY 2015-16 and future fiscal years, CBMS must be updated with adjusted PNA information with 10 hours of contractor work. In FY 2015-16, this requires \$1,300 at a contract rate of \$130 per hour.

HCPF — Medicaid state plan amendment. Costs will increase for the HCPF to draft a Medicaid state plan amendment for the PNA adjustment, to draft associated rules, to meet with stakeholders, and coordinate with federal officials. Increased workload is expected to occur in July and August 2014 and will not require new appropriations.

Local Government Impact

To the extent that a gap in nursing facility reimbursements caused by increasing PNA is not funded with additional state funds, the bill reduces revenue for local governments that own and operate nursing facilities. The amount of reduced revenue depends on the population of the local nursing facility and resident incomes and has not been estimated.

The bill also increases workload for nursing facility operators to assist residents with revised income statements, such as the HCPF 5615 form, once PNA is adjusted each July. Currently, cost of living and other adjustments to federal income typically require revision of income statements at the beginning of the calendar year. The bill would potentially double this existing workload, though this workload is a relatively small amount of the overall administrative workload of nursing facilities.

Technical Note

The term "nursing facility provider rate" is ambiguous. The fiscal note assumes that the annual increase is indexed to growth in the nursing facility provider reimbursement rate established in Section 25.5-6-202 (9), C.R.S. It is also possible to interpret the "nursing facility provider rate" to refer to the Nursing Facility Provider Fee, described by Section 25.5-6-203 (1)(a)(II), C.R.S. This

statute allows for annual growth based on the rate of inflation calculated by CMS in federal Department of Health and Human Services for the National Skilled Nursing Facility Market Basket Index. A clarifying amendment may be necessary.

Effective Date

The bill takes effect July 1, 2014.

State Appropriations

In FY 2014-15, the bill requires an appropriation of \$20,500 to the Regional Centers line item in HCPF, consisting of \$10,043 Medicaid General Fund and \$10,457 federal funds. The amount of \$20,500 in its entirety is reappropriated to DHS Regional Centers.

The bill also requires the following appropriations for CBMS changes in FY 2014-15:

- \$2,289 to HCPF (\$1,138 from the General Fund, \$2 from the Children's Basic Health Plan Trust, \$7 from the Old Age Pension Cash Fund, and \$1,142 from federal funds), of which the whole amount is reappropriated to the DHS; and
- \$6,203 to DHS (\$2,356 from the General Fund, \$215 from the Old Age Pension Cash Fund, \$1,343 from federal funds, and \$2,289 reappropriated funds from HCPF), of which the entire amount is reappropriated to the Governor's Office of Information Technology.

State and Local Government Contacts

Health Care Policy and Financing
Public Health and Environment
Office of State Planning and Budgeting
Personnel and Administration

Human Services
Regulatory Agencies
Special Districts
Municipalities

Revenue
Local Affairs
Counties
Law