COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.:	2731-01
Bill No.:	SB 729
Subject:	Elderly; Medicaid; Nursing and Boarding Homes; Social Services Department
Type:	Original
Date:	January 26, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General	($17,597,728)	($40,412,387)	($68,551,335)
Total Estimated Net Effect on General Revenue Fund	**($17,597,728)**	**($40,412,387)**	**($68,551,335)**

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on All State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Federal*	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

*Revenues and expenditures of approximately $65,000,000 annually would net to $0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Mental Health (DMH)** state the proposal does not require a change to the methodology for ICF-MR's currently used, therefore there is no fiscal impact to the DMH.

Officials from the **Department of Health and Senior Services** assume this proposal would not fiscally impact their agency. DOH officials stated if a fiscal impact were to result, funds to support the program would be sought through the appropriations process.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal could be absorbed with existing resources.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state that annually recalculating Medicaid reimbursement rates for the nursing home industry would significantly increase the cost to the Medicaid program. DMS states there is a three year transition period for the recalculated Medicaid rates to be the actual rates paid. By recalculating the rates annually, the DMS would not be able to control program expenditures. This proposal does not allow a minimum utilization adjustment greater than the most current statewide average occupancy minus 3%. DMS states the overall state occupancy has steadily been decreasing over

ASSUMPTION (continued)

the past several years so this would also add to the cost of the program.

DMS used the 1999 audited cost report data, trended to 2005. DMS assumed the effective date for recalculated rates to be effective the later of passage and approval or July 1, 2004. The DMS is using July 1, 2004 for the effective date.

The DMS states rates effective January 1, 2004 would require the 2001 cost reports; however, not all of the cost reports have been audited. The DMS used 1999 which is the latest best available information at the time this fiscal note was completed. The DMS estimates that the 2001 cost reports will be completely audited by July 1, 2004. However, the DMS predicts that numerous facilities will appeal the rate recalculation (based on the rebase done in 1995, approximately 60% of the facilities filed appeals). DMS believes a significant amount of time will be spent on the appeals and that it probably will not be able to finish subsequent years' audits in time for a January rebase. Therefore, additional staff would be needed to complete the audits and recalculate the rates on a timely basis. DMS has included 2 additional staff in the fiscal impact (1 Senior Auditor and 1 Auditor II).

If reported costs are used (i.e. vs. audited data), the DMS estimates that it would cost an additional $3.39 per day to rebase (based on comparison of 1999 unaudited data to 1999 audited data).

DMS calculations were based on current regulations, which includes rebased ceilings, incentives, etc. DMS assumes a minimum utilization of 74% (average state occupancy from June 2003 quarter survey reveal an occupancy of 76.6%).

The DMS states one-third of the annual impact for fiscal year 2005, two-thirds for fiscal year 2006 and full impact for fiscal year 2007 was realized for the three year transition period.

The inflationary factor for fiscal year 2005 was only through July 1, 2004, as called for in the proposal.

To determine subsequent years' impact for rebasing, the DMS trended the 1999 rebasing analysis to 2006 and 2007 (an additional 2.8% trend for each year - based on CMS Market Basket Index for 2005) and compared it to the 2005/2006 rebased rates. DMS assumed that the medians and ceiling would also be recalculated based on the 2006/2007 trended costs. Only the pass through expenses of the FRV rates have been recalculated due to time constraints. Occupancy and minimum utilization percent of 73% was held constant for 2005 and 2006.

ASSUMPTION (continued)

Summary of costs:

SFY 05

Cost to Rebase - 2005 (1999 cost trended to 2005)	$1,077,118,324
Cost for Current Rates	$ 941,633,384
Annual Rebase Impact - FY 05	$ 135,484,940
One-third effective July 1, 2004, FY 05 fiscal impact	$ 45,161,647

SFY 06

Cost to Rebase - 2006 (1999 cost trended to 2006)	$1,097,366,999
Cost to Rebase - 2005 (1999 cost trended to 2005)	$1,077,118,324
Rebase Impact - FY 06 (using FY 05 estimated days)	$ 20,248,675
Estimated per day impact - FY 05 estimated days 9,160,408	$2.21
Estimated SFY 06 days	9,206,210
Annual Rebase Impact - FY 06	$ 20,349,918
Annual Rebase Impact - FY 05	$ 135,484,940
Total	$ 155,834,858
Two-thirds effective, SFY05 impact	$ 103,889,957

SFY 07

Cost to Rebase - 2007 (1999 cost trended to 2007)	$1,117,645,234
Cost to Rebase - 2006 (1999 cost trended to 2006)	$1,097,366,999
Rebase Impact - FY 07 (using FY 05 estimated days)	$ 20,278,235
Estimated per day impact - FY 05 estimated days 9,160,408	$2.21
Estimated SFY 07 days	9,252,241
Annual Rebase Impact - FY 07	$ 20,481,524
Annual Rebase Impact - FY 06	$ 20,349,918
Annual Rebase Impact - FY 05	$ 135,484,840
Total	$ 176,316,382

ASSUMPTION (continued)

DMS assumes if reported costs rather than audited costs are use, the following would be additional costs:

Average total per diem audit adjustment made to reported cost	$ 3.39
Estimated 05 days	9,160,408
Additional cost using Reported Costs vs. Audited Costs	$31,053,783
One-third effective	$10,351,261
Rates Effective January 1, 2005 - 6 months in FY 05:	$5,280,339

FISCAL IMPACT - State Government	FY 2005	FY 2006	FY 2007
GENERAL REVENUE			
Costs - Department of Social Services - Division of Medical Services			
Additional nursing home services costs	($17,545,300)	($40,361,248)	($68,498,914)
Personal Services (2 FTE)	($34,766)	($35,636)	($36,526)
Fringe Benefits	($14,393)	($14,753)	($15,122)
Equipment and Expenses	($3,269)	($750)	($773)
Total Costs - Division of Medical Services	($17,597,728)	($40,412,387)	($68,551,335)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($17,597,728)**	**($40,412,387)**	**($68,551,335)**

FEDERAL

Income - Department of Social Services- Division of Medical Services			
Medicaid Reimbursements	$27,668,775	$63,579,848	$107,869,889
Costs - Department of Social Services - Division of Medical Services			
Additional nursing home services costs	($27,616,347)	($63,528,709)	($107,817,468)
Personal Services (2 FTE)	($34,766)	($35,636)	($36,526)
Fringe Benefits	($14,393)	($14,753)	($15,122)
Equipment and Expenses	($3,269)	($750)	($773)
Total Costs - Department of Social Services - Division of Medical Services	($27,668,775)	($63,579,848)	($107,869,889)
ESTIMATED NET EFFECT ON FEDERAL	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal requires the Division of Medical Services to annually recalculate the Medicaid nursing home reimbursement amount. For three years, the recalculated Medicaid reimbursement amount cannot be reduced below the rate allowed at the initial recalculation. The recalculated Medicaid reimbursement amount shall not be less than ninety dollars per day. When recalculating the Medicaid reimbursement rate of any facility, the Division of Medical Services may not apply a minimum utilization adjustment greater than the current statewide average occupancy minus three percent.

DESCRIPTION (continued)

Medicaid rates shall be recalculated for all Missouri facilities over three state fiscal years in three separate payments beginning July 1, 2004. The Department shall recalculate the class ceilings for patient care (120% of the median), ancillary (120% of the median), and administration (110% of the median), with each facility receiving one-third of the underpaid amount.

For July 1, 2004, the Department, using the adjusted costs in the Medicaid cost report for the fiscal year ending in 2001 and an inflationary factor, shall redetermine the allowable per patient day costs for each facility. For July 1, 2005, the Department shall perform the same calculations, but shall use the adjusted costs for the fiscal year ending in 2002. For July 1, 2006, the Department shall perform the same calculations using the adjusted costs for the fiscal year ending in 2003. For July 1, 2007, each facility shall receive a full recalculation based upon its 2004 Medicaid cost report of adjusted costs.

This proposal takes effect on July 1, 2004.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
Department of Mental Health
Department of Health and Senior Services
Office of Attorney General

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