

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5578-01
Bill No.: SB 818
Subject: Health Care; Hospitals; Medicaid/MO HealthNet; Nursing Homes and Long-term Care Facilities; Public Assistance; Social Services Department
Type: Original
Date: January 26, 2018

Bill Summary: This proposal modifies provisions relating to Medicaid per diem reimbursement rates.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	Likely to exceed (\$33,506,503)	Likely to exceed (\$59,821,860)	Likely to exceed (\$82,403,716)
Total Estimated Net Effect on General Revenue	Likely to exceed (\$33,506,503)	Likely to exceed (\$59,821,860)	Likely to exceed (\$82,403,716)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> 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 2019	FY 2020	FY 2021
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenditures likely to exceed \$100 million annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

§208.225 - Medicaid per diem reimbursement rates for long-term care facilities

Officials from the **Department of Social Services (DSS)**, **MO HealthNet Division (MHD)** and the **Division of Legal Services (DLS)** state the MHD assumes the proposed legislation would require all nursing facilities (500 facilities) to be audited annually. The proposed legislation specifies that nursing facility per diem reimbursement rates should be recalculated, effective July first of each fiscal year, based on the adjusted cost from cost reports ending not more than two fiscal years before the year for which the new rate is to be recalculated. The rate increase for each facility will be 1/3 of the amount unpaid for the next three state fiscal years and each year thereafter. MHD assumes nursing facility rates will be recalculated (i.e., rebased) each year based on the 2nd prior year audited cost report data, with the facility receiving 1/3 of the difference between the facility's rebased rate and the facility's current rate.

Based on the last full year that was audited (2012), it took over two years (27 months) to audit approximately 500 cost reports. MHD assumes a contractor (estimated contract cost below) could complete the work more efficiently than internal staff.

Estimated Contractor (Audit Service) Costs (3.8% inflation factor included in FY20 & FY21)
FY19 total: \$2,175,000 (GR \$1,087,500, FF \$1,087,500);
FY20 total: \$2,257,650 (GR \$1,128,825, FF \$1,128,825);
FY21 total: \$2,343,440 (GR \$1,171,720, FF \$1,171,720).

Total costs to recalculate rates each year on 2nd prior year cost report and receiving 1/3 increase.

FY19 Total: \$83,587,526 (GR \$29,874,182, FF \$53,713,344);
FY20 Total: \$152,069,656 (GR \$54,349,695, FF \$97,719,961);
FY21 Total: \$210,826,227 (GR \$75,349,294 FF \$135,476,933).

Also, MHD anticipates this legislation will have an increase to the fiscal impact on the Hospice program. Hospice services provided in a nursing facility are reimbursed at 95% of the nursing facility per diem rate. Therefore, if nursing facility rates increase, the hospice rates will also increase. MHD estimates these increases based on the SFY 2013-2017 hospice days and trending them through 2021.

ASSUMPTION (continued)

Total Costs for the Hospice program:

FY19 Total: \$6,313,334 (GR \$2,196,851, FF \$4,116,483);
FY20 Total: \$11,481,938 (GR \$3,995,370, FF \$7,486,568);
FY21 Total: \$15,905,774 (GR \$5,534,732, FF \$10,371,042).

The overall costs for this legislation would be:

FY19 Total: \$92,075,860 (GR \$33,158,533, FF \$58,917,327);
FY20 Total: \$165,809,244 (GR \$59,473,890, FF \$106,335,354);
FY21 Total: \$229,075,442 (GR \$82,055,746, FF \$147,019,696).

Officials from the **Department of Health and Senior Services (DHSS)** state SB 818 makes changes to the way the Nursing Facility per diem rate is calculated.

The DHSS defers to the Department of Social Services (MoHealthNet division) to calculate the fiscal impact of altering long-term care facility (nursing home) provider rates; however, the resulting calculated rate would affect home- and community-based services (HCBS) expenditures as well.

Currently, recipients of home and community based services are limited to a maximum monthly cost not to exceed 60% of the average monthly cost of nursing facilities, as calculated by DSS MO HealthNet Division (MHD). Any increase or decrease in the average monthly cost will equate to a corresponding increase or decrease to the monthly maximum allowable cost of HCBS that eligible participants could potentially utilize. With many factors unknown including the adjusted calculated rate, DHSS reasonably expects additional costs in HCBS expenditures of greater than \$1,000,000 to unknown annually (65.203% Fed / 34.797% GR).

Officials from the **Maple Lawn Nursing Home** state that for State Fiscal Year (SFY) 2019, the amount needed to fully fund a rebasing of nursing home Medicaid rates is about \$67.3 million of general revenue, but it will bring in an additional \$122.86 million in federal funds. This additional federal money, together with the general revenue (GR) will produce increased income tax and sales tax revenue from employee wages and supplies. The economic effect will be state-wide since nursing homes are located all over the state. This positive economic effect will be felt in rural areas where facilities with the lowest Medicaid rates are located

Oversight will use information provided by the DSS for fiscal note purposes for nursing homes. Oversight notes there are approximately 34 nursing home facilities in the state that are operated by local governments. If the provisions of this proposal pass, these local governments will receive an increase in the Medicaid reimbursement amounts they receive. At this time **Oversight**

ASSUMPTION (continued)

is unable to determine the increase in reimbursements/revenue these districts will receive. For fiscal note purposes only, Oversight will show an Unknown positive fiscal impact to local government nursing home districts.

Officials from the following **nursing home districts**: Clark County, Loch Haven, Monroe Manor, Sunnyview and Tri-County did not respond to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Costs - DSS (§208.225)</u>			
Audit contractor costs	(\$1,087,500)	(\$1,128,825)	(\$1,171,720)
Rebase costs	(\$29,874,182)	(\$54,349,695)	(\$75,349,294)
Hospice costs	<u>(\$2,196,851)</u>	<u>(\$3,995,370)</u>	<u>(\$5,534,732)</u>
Total <u>Costs - DSS</u>	<u>(\$33,158,533)</u>	<u>(\$59,473,890)</u>	<u>(\$82,055,746)</u>
 <u>Costs - DHSS (§208.225)</u>			
Increase in HCBS services costs	Likely to exceed... <u>(\$347,970)</u>	Likely to exceed... <u>(\$347,970)</u>	Likely to exceed... <u>(\$347,970)</u>
 ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND			
	<u>Likely to exceed</u> <u>(\$33,506,503)</u>	<u>Likely to exceed</u> <u>(\$59,821,860)</u>	<u>Likely to exceed</u> <u>(\$82,403,716)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
FEDERAL FUNDS			
<u>Income - DSS (§208.225)</u>			
Increase in nursing home reimbursements	\$58,917,327	\$106,335,354	\$162,676,255
<u>Income - DHSS (§208.225)</u>			
Increase in HCBS reimbursements	Likely to exceed... \$652,030	Likely to exceed... \$652,030	Likely to exceed... \$652,030
Total <u>All Income</u>	<u>Likely to exceed</u> <u>\$59,570,357</u>	<u>Likely to exceed</u> <u>\$106,987,384</u>	<u>Likely to exceed</u> <u>\$163,328,285</u>
<u>Costs - DSS (§208.225)</u>			
Audit contractor costs	(\$1,087,500)	(\$1,128,825)	\$1,171,720
Rebase costs	(\$53,713,344)	(\$97,719,961)	(\$153,476,933)
Hospice costs	(\$4,116,483)	(\$7,486,568)	(\$10,371,042)
Total <u>Costs - DSS</u>	(\$58,917,327)	(\$106,335,354)	(\$162,676,255)
<u>Costs - DHSS (§208.225)</u>			
Increase in HCBS expenditures	Likely to exceed... (\$652,030)	Likely to exceed... (\$652,030)	Likely to exceed... (\$652,030)
Total <u>All Costs</u>	<u>Likely to exceed</u> <u>(\$59,570,357)</u>	<u>Likely to exceed</u> <u>(\$106,987,384)</u>	<u>Likely to exceed</u> <u>(\$163,328,285)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019	FY 2020	FY 2021
LOCAL GOVERNMENTS - NURSING HOME DISTRICTS			
<u>Income - Nursing Home Districts (§208.225)</u>			
Increase in Medicaid reimbursements	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - NURSING HOME DISTRICTS			
	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Under this act, the MO HealthNet Division shall calculate the Medicaid per diem reimbursement rate for participating long-term care facilities effective July 1 of each fiscal year based on the facility's reported costs for its fiscal year ending not more than two fiscal years before the year for which the new rate is to be recalculated.

Under current law, facility reimbursement rates were to be recalculated on July 1, 2004. This act requires the Division to recalculate rates July 1 of every fiscal year using facility cost reports for the facility fiscal year ending not more than two fiscal years before the year for which the new rate is to be recalculated. Each facility shall receive a rate increase of one-third of the amount, if any, that is unpaid based on the recalculated cost determination for the next three state fiscal years and each year thereafter.

This act has an emergency clause.

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 Health and Senior Services
Maple Lawn Nursing Home

Ross Strope



Acting Director
January 26, 2018