

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5604-03  
Bill No.: SB 863  
Subject: Health Care; Medicaid/MO HealthNet; Nursing Homes and Long-term Care Facilities; Public Assistance; Social Services Department  
Type: Original  
Date: January 29, 2018

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

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>          |                                       |                                       |  |
|--|---------------------------------------|---------------------------------------|--|
| FUND AFFECTED  | FY 2019                               | FY 2020                               | FY 2021                                |
| General Revenue  | (Could exceed<br>\$3,986,043)         | (Could exceed<br>\$8,130,967)         | (Could exceed<br>\$12,503,539)         |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue</b> | <b>(Could exceed<br/>\$3,986,043)</b> | <b>(Could exceed<br/>\$8,130,967)</b> | <b>(Could exceed<br/>\$12,503,539)</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>                      |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2019    | FY 2020    | FY 2021    |
|   |            |            |            |
|   |            |            |            |
| <b>Total Estimated<br/>Net Effect on <u>Other</u><br/>State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

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

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2019</b> | <b>FY 2020</b> | <b>FY 2021</b> |
| Federal *   | \$0            | \$0            | \$0            |
|   |                |                |                |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

\* Income and expenditures could exceed \$15 million annually and net to \$0.

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2019</b> | <b>FY 2020</b> | <b>FY 2021</b> |
| General Revenue   | 1              | 1              | 1              |
| Federal   | 1              | 1              | 1              |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>2</b>       | <b>2</b>       | <b>2</b>       |

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

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2019</b> | <b>FY 2020</b> | <b>FY 2021</b> |
| <b>Local Government</b>                    | <b>Unknown</b> | <b>Unknown</b> | <b>Unknown</b> |

## FISCAL ANALYSIS

### ASSUMPTION

#### §208.225 - Nursing facility rebasing for capital expenditures

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state MHD estimates 2 additional FTE (Senior Auditors) would be needed to audit/adjust rates for nursing homes. MHD estimates this will cost:

FY19 total: \$141,536 (GR \$70,768, FF \$70,768)

FY20 total: \$155,124 (GR \$77,562, FF \$77,562)

FY21 total: \$156,782 (GR \$78,391, FF \$ 78,391)

MHD used the average rate increase for rate adjustments granted in 2002 for the impact of the "Adjust Capital Rate Only" scenario (adjusted for increase in nursing facility rates between 2002-2018 + 3.8% inflation for SFYs 19-21). MHD only used allowable nursing facility related capital expenditures to determine qualifying facilities (excludes capital expenditures for non-allowable items such as construction in progress, vehicles, land, etc.) or non-nursing facility related items (Residential Care Facilities (RCFs), apartments, etc.). MHD assumes a range due to different rates recalculated for the capital costs compared all costs.

Costs associated with adjustment to Capital Rate-only are listed first in the range. NOTE: Based on discussions with MHD officials, **Oversight** determined the second numbers in the range are based on the scenario "all costs incurred during the facility fiscal year during which such capital expenditures were made".

FY19 total: \$3,587,477 (GR \$1,248,334; FF \$2,339,143) to \$11,265,259 (GR \$3,919,972; FF \$7,345,287);

FY20 total: \$7,375,477 (GR \$2,566,445; FF \$4,809,032) to \$23,160,562 (GR \$8,059,181; FF \$15,101,381);

FY21 total: \$11,379,933 (GR \$3,959,875; FF \$7,420,058) to \$35,724,542 (GR \$12,431,069; FF \$23,293,473).

ASSUMPTION (continued)

Grand estimated total with new FTE:

FY19 total: \$3,729,012 (GR \$1,319,102; FF \$2,409,911) to \$11,406,794 (GR \$3,990,740; FF \$7,416,055);

FY20 total: \$7,530,602 (GR \$2,644,007; FF \$4,886,594) to \$23,315,687 (GR \$8,136,743; FF \$15,178,943);

FY21 total: \$11,536,715 (GR \$4,038,266; FF \$7,498,449) to \$35,881,324 (GR \$12,509,460; FF \$23,371,864).

**Oversight** assumes DSS would not need additional rental space for 2 new FTE for this single proposal. However, Oversight notes, depending on the number of proposals passed during the legislative session, that cumulatively, DSS may need additional rental space or capital improvements as determined by the Office of Administration, Facilities Management, Design and Construction.

Officials from the **Department of Health and Senior Services (DHSS)** state SB 863 makes changes to the way the Nursing Facility per diem rate is calculated.

The DHSS, Division of Senior and Disability Services (DSDS) 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 \$0 to unknown annually (65.203% Fed / 34.797% GR).

**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 may receive an increase in the Medicaid reimbursement amounts they receive if they have incurred capital expenditures of \$2,000 per bed or for all costs incurred during the facility fiscal year during which such capital expenditures were made as provided for by this proposal. At this time **Oversight** is unable to determine the increase in reimbursements/revenue these districts would receive. For fiscal note purposes only, Oversight will show an Unknown positive fiscal impact to local government nursing home districts.

ASSUMPTION (continued)

Officials from the following **nursing home districts**: Clark County, Knox County, Loch Haven, Maple Lawn, Monroe Manor, Scotland County, 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<br>(10 Mo.)                          | FY 2020                                      | FY 2021                                       |
|---|--|--|---|
| <b>GENERAL REVENUE</b>                                      |  |  |   |
| <u>Costs - DSS (§208.225)</u>                               |  |  |   |
| Personal service  | (\$35,650)                                   | (\$43,208)                                   | (\$43,640)                                    |
| Fringe benefits   | (\$19,578)                                   | (\$23,621)                                   | (\$23,749)                                    |
| Equipment and expense                                       | (\$10,843)                                   | (\$4,957)                                    | (\$5,081)                                     |
| Capital rate increase/rebasing                              | <u>(\$1,248,334 to<br/>\$3,919,972)</u>      | <u>(\$2,566,445 to<br/>\$8,059,181)</u>      | <u>(\$3,959,875 to<br/>\$12,431,069)</u>      |
| Total <u>Costs</u> - DSS                                    | <u>(\$1,314,405 to<br/>\$3,986,043)</u>      | <u>(\$2,638,231 to<br/>\$8,130,967)</u>      | <u>(\$4,032,345 to<br/>\$12,503,539)</u>      |
| FTE Change - DSS  | 1 FTE  | 1 FTE  | 1 FTE   |
| <u>Costs - DHSS (§208.225)</u>                              |  |  |   |
| Increase in HCBS services costs                             | <u>\$0 to<br/>(Unknown)</u>                  | <u>\$0 to<br/>(Unknown)</u>                  | <u>\$0 to<br/>(Unknown)</u>                   |
| <b>ESTIMATED NET EFFECT ON THE<br/>GENERAL REVENUE FUND</b> |  |  |   |
|   | <b><u>(Could exceed<br/>\$3,986,043)</u></b> | <b><u>(Could exceed<br/>\$8,130,967)</u></b> | <b><u>(Could exceed<br/>\$12,503,539)</u></b> |
| Estimated Net FTE Change on the General Revenue Fund        | 1 FTE  | 1 FTE  | 1 FTE   |
| <b>FEDERAL FUNDS</b>  |  |  |   |
| <u>Income - DSS (§208.225)</u>                              |  |  |   |
| Increase in nursing home reimbursements                     | \$2,405,214 to<br>\$7,411,358                | \$4,880,818 to<br>\$15,173,167               | \$7,492,528 to<br>\$23,365,943                |
| <u>Income - DHSS (§208.225)</u>                             |  |  |   |
| Increase in HCBS reimbursements                             | <u>\$0 to Unknown</u>                        | <u>\$0 to Unknown</u>                        | <u>\$0 to Unknown</u>                         |
| Total <u>All Income</u>                                     | <u>Could exceed<br/>\$7,411,358</u>          | <u>Could exceed<br/>\$15,173,167</u>         | <u>Could exceed<br/>\$23,365,943</u>          |

| <u>FISCAL IMPACT - State Government</u>   | FY 2019<br>(10 Mo.)                           | FY 2020  | FY 2021  |
|---|---|--|--|
| <b>FEDERAL FUNDS (continued)</b>  |   |  |  |
| <u>Costs - DSS (\$208.225)</u>  |   |  |  |
| Personal service  | (\$35,650)                                    | (\$43,208)                                     | (\$43,640)                                     |
| Fringe benefits   | (\$19,578)                                    | (\$23,621)                                     | (\$23,749)                                     |
| Equipment and expense   | (\$10,843)                                    | (\$4,957)                                      | (\$5,081)                                      |
| Capital rate increase/rebasing  | <u>(\$2,339,143 to</u><br><u>\$7,345,287)</u> | <u>(\$4,809,032 to</u><br><u>\$15,101,381)</u> | <u>(\$7,420,058 to</u><br><u>\$23,293,473)</u> |
| Total <u>Costs</u> - DSS  | <u>(\$2,405,214 to</u><br><u>\$7,411,358)</u> | <u>(\$4,880,818 to</u><br><u>\$15,173,167)</u> | <u>(\$7,492,528 to</u><br><u>\$23,365,943)</u> |
| FTE Change - DSS  | 1 FTE   | 1 FTE  | 1 FTE  |
| <u>Costs - DHSS (\$208.225)</u>   |   |  |  |
| Increase in HCBS expenditures   | <u>\$0 to</u><br><u>(Unknown)</u>             | <u>\$0 to</u><br><u>(Unknown)</u>              | <u>\$0 to</u><br><u>(Unknown)</u>              |
| Total <u>All Costs</u>  | <u>(Could exceed</u><br><u>\$7,411,358)</u>   | <u>(Could exceed</u><br><u>\$15,173,167)</u>   | <u>(Could exceed</u><br><u>\$23,365,943)</u>   |
| <b>ESTIMATED NET EFFECT ON<br/>FEDERAL FUNDS</b>                                  |   |  |  |
|   | <b><u>\$0</u></b>                             | <b><u>\$0</u></b>                              | <b><u>\$0</u></b>                              |
| Estimated Net FTE Change on Federal Funds   | 1 FTE   | 1 FTE  | 1 FTE  |
| <br>  |   |  |  |
| <u>FISCAL IMPACT - Local Government</u>   | FY 2019<br>(10 Mo.)                           | FY 2020  | FY 2021  |
| <b>LOCAL GOVERNMENTS -<br/>NURSING HOME DISTRICTS</b>                             |   |  |  |
| <u>Income - Nursing Home Districts</u><br>(\$208.225)                             |   |  |  |
| Increase in Medicaid reimbursements   | <u>Unknown</u>                                | <u>Unknown</u>                                 | <u>Unknown</u>                                 |
| <b>ESTIMATED NET EFFECT ON<br/>LOCAL GOVERNMENTS -<br/>NURSING HOME DISTRICTS</b> |   |  |  |
|   | <b><u>Unknown</u></b>                         | <b><u>Unknown</u></b>                          | <b><u>Unknown</u></b>                          |

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, any intermediate care facility or skilled nursing facility participating in MO HealthNet that incurs total capital expenditures in excess of \$2,000 per bed shall be entitled to obtain a recalculation of its Medicaid per diem reimbursement rate based on its additional capital costs or all costs incurred during the facility fiscal year during which such capital expenditures were made.

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 -  
MO HealthNet Division  
Department of Health and Senior Services

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