

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0718-01  
Bill No.: SB 11  
Subject: Health Care; Medicaid/MO HealthNet; Nursing Homes and Long-term Care Facilities; Public Assistance; Social Services Department  
Type: Original  
Date: February 19, 2019

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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 2020                                 | FY 2021                                 | FY 2022                                 |
| General Revenue  | (\$1,176,245 to<br>\$3,443,910)         | (\$1,545,006 to<br>\$4,599,140)         | (\$1,681,769 to<br>\$5,093,281)         |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue</b> | <b>(\$1,176,245 to<br/>\$3,443,910)</b> | <b>(\$1,545,006 to<br/>\$4,599,140)</b> | <b>(\$1,681,769 to<br/>\$5,093,281)</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>                      |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2020    | FY 2021    | FY 2022    |
|   |            |            |            |
|   |            |            |            |
| <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 8 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                          |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2020    | FY 2021    | FY 2022    |
| Federal Funds*  | \$0        | \$0        | \$0        |
|   |            |            |            |
| <b>Total Estimated<br/>Net Effect on <u>All</u><br/>Federal Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

\* Income and expenses exceed \$8.7 million annually and net to \$0.

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |          |          |          |
|---|----------|----------|----------|
| FUND AFFECTED   | FY 2020  | FY 2021  | FY 2022  |
|   |          |          |          |
|   |          |          |          |
| <b>Total Estimated<br/>Net Effect on<br/>FTE</b>          | <b>0</b> | <b>0</b> | <b>0</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> |            |            |            |
|--|------------|------------|------------|
| FUND AFFECTED                              | FY 2020    | FY 2021    | FY 2022    |
| <b>Local Government</b>                    | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

## FISCAL ANALYSIS

### ASSUMPTION

#### §208.225 - Capital expenditures by long-term care facilities - rebase

Officials from the **Department of Health and Senior Services (DHSS)** state the proposed changes to section 208.225 would modify the way the Nursing Facility per diem rate is calculated for MO HealthNet. DHSS assumes there will be a corresponding fiscal impact to Home- and Community-Based Services expenditures because reimbursement for these services is based on the Nursing Facility rates.

DHSS defers to the Department of Social Services (MoHealthNet) (DSS) to calculate the fiscal impact of altering long-term care facility (nursing home) provider rates.

In estimating the impact on DHSS home- and community-based programs, DHSS used the DSS (MoHealthNet) nursing home provider rate estimates. Any increase or decrease in the average monthly cost will equate to a corresponding increase or decrease to the monthly maximum allowable cost of home- and community-based services (HCBS) that eligible participants could potentially use. Currently, recipients of State Plan Basic Personal Care and Consumer-Directed Services HCBS are limited to a maximum monthly cost not to exceed 60 percent of the average monthly cost of nursing facilities for a participant, as calculated by DSS. Additionally, recipients of State Plan Advanced Personal Care, as well as Adult Day Care services, within both the Adult Day Care Waiver and the Aged and Disabled Waiver are limited to a maximum monthly cost not to exceed 100 percent of the average monthly cost of nursing facilities for a participant, as calculated by DSS.

DHSS used HCBS participant data for the last three fiscal years where the nursing facility rate increased, but the provider rate did not simultaneously increase (FY 14, FY 16, and FY 18). For the purposes of this fiscal note, only those participants that were authorized for services within the range of the previous fiscal years' 60 percent cap and the new fiscal years' 60 percent cap were considered to be those affected by the HCBS 60 percent cost cap increase in those specific years. By taking an average of the participants with increased authorization within this range from those years, DHSS estimates that the number of participants that will benefit from a new 60 percent cost cap increase would be 1,572 participants per year. DHSS used this participant count and the DSS (MHD) estimated rate calculations and ranges to estimate the HCBS cost cap ranging from \$1,932 to \$1,947 for FY 2020, \$1,940 to \$1,972 for FY 2021, and \$1,948 to \$1,998 for FY 2022. Subtracting the FY 2019 cost cap of \$1,924 from these projections results in the increased cost cap range of \$7.67 to \$23.18, \$15.69 to \$47.63, and \$23.91 to \$73.55 per participant for FY 2020, FY 2021, and FY 2022, respectively. DHSS estimates additional total costs ranging from:

ASSUMPTION (continued)

FY 2020 - \$144,656 ( $\$7.67 \times 1,572 \times 12$ ) to \$437,175 ( $\$23.18 \times 1,572 \times 12$ );  
FY 2021 - \$295,913 ( $\$15.69 \times 1,572 \times 12$ ) to \$898,302 ( $\$47.63 \times 1,572 \times 12$ ); and  
FY 2022 - \$450,943 ( $\$23.91 \times 1,572 \times 12$ ) to \$1,387,153 ( $\$73.55 \times 1,572 \times 12$ ).

Additionally, those participants that were authorized for services within the range of the previous fiscal years' 100 percent cap and the new fiscal years' 100 percent cap were considered to be those affected by the 100 percent nursing facility cost cap increase in those specific years. By taking an average of the participants with increased authorization within this range from those years, DHSS assumed that the number of participants that will benefit from a new 100 percent cost cap increase would be 603 participants per year. DHSS used this participant count and the DSS (MHD) estimated rate calculations and ranges to estimate the average monthly nursing facility cost cap ranging from \$3,220 to \$3,246 for fiscal year 2020, \$3,233 to \$3,287 for fiscal year 2021, and \$3,247 to \$3,330 for fiscal year. Subtracting the FY 2019 cost cap of \$3,207 from these projections results in the increased cost cap range of \$12.78 to \$38.63, \$26.16 to \$79.39, and \$39.85 to \$122.58 per participant for FY 2020, FY 2021, and FY 2022, respectively. DHSS estimates additional total costs ranging from:

FY 2020 - \$92,527 ( $\$12.78 \times 603 \times 12$ ) to \$279,681 ( $\$38.63 \times 603 \times 12$ );  
FY 2021 - \$189,398 ( $\$26.16 \times 603 \times 12$ ) to \$574,784 ( $\$79.39 \times 603 \times 12$ ); and  
FY 2022 - \$288,514 ( $\$39.85 \times 603 \times 12$ ) to \$887,479 ( $\$122.58 \times 603 \times 12$ ).

Accordingly, DHSS estimates total costs ranging from:

FY 2020 - \$237,183 ( $\$144,656 + \$92,527$ ) to \$716,856 ( $\$437,175 + \$279,681$ );  
FY 2021 - \$485,312 ( $\$295,913 + \$189,398$ ) to \$1,473,086 ( $\$898,302 + \$574,784$ ); and  
FY 2022 - \$739,457 ( $\$450,943 + \$288,514$ ) to \$2,274,632 ( $\$1,387,153 + \$887,479$ ).

The current FMAP split for FY 2020 is 34.412 % GR and 65.588% Fed.

FY 2020: \$81,620 - \$246,684 (GR) and \$155,564 - \$470,172 (Fed)  
FY 2021: \$167,006 - \$506,918 (GR) and \$318,306 - \$966,167 (Fed)  
FY 2022: \$254,462 - \$782,746 (GR) and \$484,995 - \$1,491,886 (Fed).

**Oversight** determined from DHSS officials that the FY 2020 costs in the fiscal note are for a full year. Oversight will present FY 2020 costs for 10 months. Therefore, after applying the FMAP split, FY 2020 costs will be ranged from \$68,017 - \$205,570 (GR) and \$129,637 - \$391,810 (Fed).

ASSUMPTION (continued)

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state 208.225.3 states any enrolled MHD intermediate care facility or skilled nursing facility that incurs total capital expenditures in excess of two thousand dollars per bed shall be entitled to obtain a recalculation of its Medicaid per diem reimbursement by MHD. The rate is based on its additional capital costs or all costs incurred during the facility fiscal year when the capital expenditures were made. Recalculations shall become effective and payable by MHD as the date of application for rate adjustment.

MHD estimates a vendor would be needed to audit/adjust rates for nursing homes. MHD estimates this will cost:

FY 2020 total: \$136,383 (GR \$68,191, FF \$68,191);  
FY 2021 total: \$141,565 (GR \$70,782, FF \$70,782); and,  
FY 2022 total: \$146,945 (GR \$73,472, FF \$73,472).

**Oversight** does not have any information to the contrary. However, Oversight notes FY 2020 costs are for a full year. Oversight will reflect the vendor costs for FY 2020 for 10 months rather than 12 months for fiscal note purposes.

**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 2002-2019 + 2.1% inflation for SFYs 20-22). MHD only used allowable nursing facility related capital expenditures to determine qualifying facilities (excludes capital expenditures for non-allowable items (construction in progress, vehicles, land, etc) or non-nursing facility related items (RCFs, apartments, etc). MHD assumes a range due to different rates recalculated for the capital costs vs all costs.

Costs associated with adjustment to Capital Rate only:

FY 2020 total: \$3,666,401 (GR \$1,261,682; FF \$2,404,719) to \$11,094,434 (GR \$3,817,817; FF \$7,276,617);  
FY 2021 total: \$7,465,126 (GR \$2,568,899; FF \$4,896,227) to \$22,780,587 (GR \$7,839,256; FF \$14,941,331); and,  
FY 2022 total: \$11,399,319 (GR \$3,922,734; FF \$7,476,585) to \$35,093,336 (GR \$12,076,319; FF \$23,017,018).

**Oversight** notes the DSS has provided "cumulative" costs for Capital Rate-only and costs incurred during the facility fiscal year for FY 2021 and FY 2022. For fiscal note purposes, Oversight will present estimated costs for each year. In addition, Oversight will present FY 2020 costs for 10 months rather than 12 months.

ASSUMPTION (continued)

Grand estimated total with Vendor Costs:

FY 2020 total: \$3,802,784 (GR \$1,329,873; FF \$2,472,910) to \$11,230,817 (GR \$3,886,008; FF \$7,344,809)

FY 2021 total: \$7,606,691 (GR \$2,639,682; FF \$4,967,009) to \$22,922,152 (GR \$7,910,038; FF \$15,012,114)

FY 2022 total: \$11,546,264 (GR \$3,996,206; FF \$7,550,058) to \$35,240,281 (GR \$12,149,791; FF \$23,090,490)

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other nursing homes were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

| <u>FISCAL IMPACT - State Government</u>                     | FY 2020<br>(10 Mo.)                            | FY 2021  | FY 2022  |
|---|--|--|--|
| <b>GENERAL REVENUE FUND</b>                                 |  |  |  |
| <u>Costs - DHSS (§208.225)</u>                              |  |  |  |
| Increase in HCBS cap rates                                  | (\$68,017 to<br>\$205,570)                     | (\$167,006 to<br>\$506,918)                    | (\$254,462 to<br>\$782,746)                    |
| <u>Costs - DSS (§208.225)</u>                               |  |  |  |
| Contractor costs  | (\$56,826)                                     | (\$70,783)                                     | (\$73,472)                                     |
| Increase in capital expenditures                            | (\$1,051,402 to<br>\$3,181,514)                | (\$1,307,217 to<br>\$4,021,439)                | (\$1,353,835 to<br>\$4,237,063)                |
| Total <u>All</u> Costs                                      | (\$1,176,245 to<br>\$3,443,910)                | (\$1,545,006 to<br>\$4,599,140)                | (\$1,681,769 to<br>\$5,093,281)                |
| <b>ESTIMATED NET EFFECT ON THE<br/>GENERAL REVENUE FUND</b> | <b><u>(\$1,176,245 to<br/>\$3,443,910)</u></b> | <b><u>(\$1,545,006 to<br/>\$4,599,140)</u></b> | <b><u>(\$1,681,769 to<br/>\$5,093,281)</u></b> |

| <u>FISCAL IMPACT - State Government</u>            | FY 2020<br>(10 Mo.)                           | FY 2021                                       | FY 2022                                       |
|--|---|---|---|
| <b>FEDERAL FUNDS</b>                               |   |   |   |
| <u>Income - DHSS (§208.225)</u>                    |   |   |   |
| Increase in HCBS program reimbursements            | \$129,637 to<br>\$391,810                     | \$318,306 to<br>\$966,167                     | \$484,995 to<br>\$1,491,886                   |
| <u>Income - DSS (§208.225)</u>                     |   |   |   |
| Reimbursement for contractor costs                 | \$56,826                                      | \$70,783                                      | \$73,472                                      |
| Reimbursement for increase in capital expenditures | <u>\$2,003,933 to</u><br><u>\$6,063,848</u>   | <u>\$2,491,508 to</u><br><u>\$7,664,714</u>   | <u>\$2,580,359 to</u><br><u>\$8,075,686</u>   |
| Total <u>All Income</u>                            | <u>\$2,190,396 to</u><br><u>\$6,512,484</u>   | <u>\$2,880,597 to</u><br><u>\$8,701,664</u>   | <u>\$3,138,826 to</u><br><u>\$9,641,044</u>   |
| <u>Costs - DHSS (§208.225)</u>                     |   |   |   |
| Increase in HCBS cap rates                         | (\$129,637 to<br>\$391,810)                   | (\$318,306 to<br>\$966,167)                   | (\$484,995 to<br>\$1,491,886)                 |
| <u>Costs - DSS (§208.225)</u>                      |   |   |   |
| Contractor costs                                   | (\$56,826)                                    | (\$70,783)                                    | (\$73,472)                                    |
| Increase in capital expenditures                   | <u>(\$2,003,933 to</u><br><u>\$6,063,848)</u> | <u>(\$2,491,508 to</u><br><u>\$7,664,714)</u> | <u>(\$2,580,359 to</u><br><u>\$8,075,686)</u> |
| Total <u>All Costs</u>                             | <u>(\$2,190,396 to</u><br><u>\$6,512,484)</u> | <u>(\$2,880,597 to</u><br><u>\$8,701,664)</u> | <u>(\$3,138,826 to</u><br><u>\$9,641,044)</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>                             |

| <u>FISCAL IMPACT - Local Government</u> | FY 2020<br>(10 Mo.) | FY 2021           | FY 2022           |
|---|---------------------|-------------------|-------------------|
|   | <b><u>\$0</u></b>   | <b><u>\$0</u></b> | <b><u>\$0</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 Health and Senior Services  
Department of Social Services



Kyle Rieman  
Director  
February 19, 2019

Ross Strobe  
Assistant Director  
February 19, 2019