

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4205-02
Bill No.: SB 1029
Subject: Certificate of Need; Health Care; Nursing and Boarding Homes; Elderly; Health Dept.; Licenses - Misc.
Type: Original
Date: February 11, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$5,357,757)	(\$6,686,481)	(\$6,953,940)
Total Estimated Net Effect on <u>All</u> State Funds	(\$5,357,757)	(\$6,686,481)	(\$6,953,940)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

* Revenues and expenditures to exceed \$10 million annually and net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Health Facilities Review Committee (MHFRC)** assume the proposed legislation would not fiscally impact their organization. However, the MHFRC stated it is difficult to determine the fiscal impact on the agency because it is not clear what its role is to be in the process described.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** provided the following assumptions:

Section 197.318, paragraph 3. is deleted which removes the \$0 expenditure minimum requirement and puts the \$600,000 expenditure minimum for receiving a Certificate of Need (CON) back in place. Therefore, a skilled nursing facility (SNF) could add additional beds without obtaining a CON if the cost was less than \$600,000. The DMS discussed with the MHFRC office and they estimated that approximately 1,000 additional skilled nursing facility beds could be placed in service. The DMS annualized the 1,000 additional beds and applied the Medicaid occupancy percent at September 2001 to determine the additional Medicaid nursing facility days. The DMS applied the current average Medicaid reimbursement rate to the additional Medicaid days and then trended that amount by 4% for 2003, 2004, 2005 (4% is the normal trend used by the DMS for Medicaid costs).

Note: While the DMS routinely makes budget requests for increases to the nursing facility industry's Medicaid reimbursement rates (i.e., trends, rebasing, quality assurance incentives, etc.), it does not always receive authority for the full request and no global rate adjustment was granted for SFY 2002.

Additional SNF beds	1,000
Annualized	<u>365</u>
	365,000
Medicaid Occupancy of Licensed Beds (September 2001)	<u>45.00%</u>
Additional Medicaid Days	164,250
Average Nursing Facility Reimbursement Rate (February 2002)	<u>\$97.08</u>
Total Annual Impact	\$15,945,390
SFY 03 Trended 4.00%	\$16,583,206

SFY 04 Trended	4.00%	\$17,246,534
SFY 05 Trended	4.00%	\$17,936,395
SFY 03 Impact for 10 months		\$13,819,338
State Share - SFY 03	38.77%	\$5,357,757
Federal Share - SFY 03	61.23%	\$8,461,581

ASSUMPTION (continued)

Section 197.318, 9(3) - Based upon discussions with the MHFRC office, it is unclear what is meant by

" . . joint licensure . . ." and therefore an impact could not be determined.

Based upon discussions with the MHFRC office, the remaining changes would not significantly affect the number of SNF beds.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
---	---------------------	---------	---------

GENERAL REVENUE

Costs - Department of Social Services -
 Division of Medical Services+

Nursing Facility Reimbursements	<u>(\$5,357,757)</u>	<u>(\$6,686,481)</u>	<u>(\$6,953,940)</u>
Total <u>Costs</u> - Department of Social Services	<u>(\$5,357,757)</u>	<u>(\$6,686,481)</u>	<u>(\$6,953,940)</u>

FEDERAL FUNDS

Income - Department of Social Services -
 Division of Medical Services

Medicaid Reimbursements	\$8,461,581	\$10,560,053	\$10,982,455
-------------------------	-------------	--------------	--------------

Costs - Department of Social Services -
 Division of Medical Services

Medicaid Payments to Nursing Facilities	<u>(\$8,461,581)</u>	<u>(\$10,560,053)</u>	<u>(\$10,982,455)</u>
---	----------------------	-----------------------	-----------------------

**NET ESTIMATED EFFECT ON
 FEDERAL FUNDS***

\$0 \$0 \$0

* Revenues and expenditures to exceed \$10 million annually and net to \$0.

FISCAL IMPACT - Local Government

FY 2003
(10 Mo.)

FY 2004

FY 2005

\$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 act modifies the certificate of need law.

Current law imposes a moratorium on the issuance of a certificate of need (CON) for certain facilities. This act deletes the expiration of the moratorium on beds, set for January 1, 2003 (Section 197.317).

Currently certain facilities are exempted from CON. The provision removing the expenditure minimum for certain facilities is deleted. The time limits are changed from eighteen to twelve months for facilities to make an effort to purchase beds before applying to increase licensed bed capacity. The Missouri Health Facilities Review Committee must issue a CON to a licensed facility to purchase beds from another licensed facility and relocate them to the location of their choice. The term "effort to purchase" is revised to mean an offer to purchase beds in the same license category or an offer to purchase beds in another licensure category up to ten percent of the offeror's total licensed beds. Language is removed allowing the Committee to only issue a CON upon surrender of a seller's license. Expansions will be allowed as follows: 1) Facilities with more than forty beds may expand within the same licensure category by no more than thirty beds or may expand within a different capacity by ten percent and 2) Facilities with less than forty beds may expand within or outside the same licensure category by no more than ten beds.

Provisions regarding beds purchased and remaining unlicensed are deleted. New language allows a multi-unit housing with services facility to purchase beds up to ten percent of its current bed total. Such facilities must submit a plan to the Division of Health Standards and Licensure and receive a temporary license, then must work with the Health Facilities Review Committee to identify a seller, and then apply for licensure of the purchased beds.

Current law allows residential care facilities (RCF) to relocate beds to mutually-owned and licensed facilities. This act provides for skilled nursing facilities (SNF) to do the same and removes the requirement that the facilities be within six miles of each other. Language is also

removed which allows facilities to replace beds under certain circumstances. New language allows RCFs I & II and SNFs to obtain joint licensure and keep the same number of beds (Section 197.318).

Currently long term care facilities may obtain licensure for a maximum of two years. This act changes the maximum period to fifteen months.

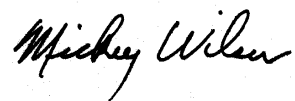
DESCRIPTION (continued)

Currently, the Department of Health and Senior Services must inspect long term care facilities twice per year. This act lowers that number to one unannounced inspection per year, unless violations occur (Section 198.022).

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

Missouri Health Facilities Review Committee
Department of Social Services



Mickey Wilson, CPA
Acting Director
February 11, 2002