

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6736**  
**BILL NUMBER: SB 226**

**DATE PREPARED:** Dec 12, 2001  
**BILL AMENDED:**

**SUBJECT:** Annual Review of Medicaid Nursing Home Residents.

**FISCAL ANALYST:** Alan Gossard  
**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:**  **GENERAL**  
**DEDICATED**  
 **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill requires a nursing facility certified to provide nursing facility care to Medicaid recipients to submit minimum data set (MDS) information for each of its patients annually to the Office of Medicaid Policy and Planning (OMPP). The bill requires OMPP to evaluate the information under specified guidelines. It also requires OMPP to counsel an individual on the services available to the individual if OMPP determines that the individual's needs can be met in a cost effective manner in a setting other than a nursing facility. (The introduced version of this bill was prepared by the Joint Commission on Medicaid Oversight.)

**Effective Date:** July 1, 2002.

**Explanation of State Expenditures:** This bill requires each nursing home to annually submit screening and assessment information on each patient to OMPP. OMPP or a designated contractor is to evaluate the information submitted taking into account the individual patient's medical needs, the availability of services other than those available in the nursing home that are appropriate to the individual's needs, and the cost effectiveness of providing services in an alternative setting. For individuals for whom there may exist cost effective alternative settings, OMPP is to counsel and advise the individual on those alternatives.

There will be additional costs associated with resident evaluation, both in terms of developing a screening program and algorithm, as well as for more in-depth evaluation and counseling of the nursing home resident. Costs will depend upon program design and would likely qualify for 50% federal reimbursement. However, to the extent that sufficient alternative settings exist and individuals are able to change to residential alternatives that are less expensive to the state, state Medicaid expenditures may also be reduced. The net costs to the state will depend upon administrative action in the implementation of the program and the extent to which less expensive alternative placements are available.

*Background:* There are two components of costs required to implement a program of this type: (1)

development of a screening program and algorithm by which all of the information provided by the nursing facilities for all of the residents may be evaluated to identify the nursing home residents who are most likely to be candidates for alternative placements; and (2) the costs involved to do more in-depth evaluation and counseling of individual candidates. Estimates of the additional costs range from \$75,000 to \$375,000 in state dollars (see below).

Estimates of annual total costs if all functions were performed by Myers and Stauffer, the state's Medicaid rate-setting contractor, have ranged as high as \$750,000 (\$375,000 in state share). This would represent annual ongoing costs.

However, utilizing the existing capabilities and expertise of the Area Agencies on Aging (AAAs) could perhaps reduce these costs significantly. AAAs currently are under contract with the state to perform a similar function in the Pre-Admission Screening (PAS) program. The purpose of the PAS program is to monitor nursing facility admissions to assure that placements are appropriate and to assure that alternatives such as in-home and community services have been explored. Based on the value of the FY 2002 contract with the AAAs to perform PAS and other screenings, an additional 1,000 to 2,000 evaluations might cost \$50,000 to \$100,000 in additional contract costs (state share). Combined with an estimated \$25,000 one-time cost for development and programming of the initial screening program (state share of \$50,000), state share of costs are estimated to range from \$75,000 to \$125,000 in FY 2003, and from \$50,000 to \$100,000 in FY 2004.

Ultimately, the design and cost effectiveness of the system will depend upon such factors as the availability of alternative services in the community and the number of individuals that have needs that can be served in the alternative settings.

**Explanation of State Revenues:** See Explanation of State Expenditures, above, regarding federal reimbursement in the Medicaid program. (Federal financial participation is 50% for certain administrative costs, and about 62% for other costs.)

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** OMPP.

**Local Agencies Affected:**

**Information Sources:** Some information provided by Katy Howard, OMPP, (317) 233-3045.