

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6092
BILL NUMBER: SB 5

NOTE PREPARED: Jan 18, 2007
BILL AMENDED: Jan 18, 2007

SUBJECT: Nursing Facility Quality Assessment Fee.

FIRST AUTHOR: Sen. Miller
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill extends collection of the nursing facility quality assessment (QA) until August 1, 2011.

Effective Date: July 1, 2007.

Explanation of State Expenditures: This bill would extend the required increase in Medicaid nursing facility reimbursement. The current statute requires that 80% of the QA collected, or approximately \$82 M, must be used to leverage federal Medicaid matching funds to increase nursing facility reimbursement targeting specific uses. The extension of QA is estimated to result in total additional payments to nursing facilities of approximately \$215.8 M. Should federal financial participation become unavailable to provide for the additional reimbursement, current law provides that the Office of Medicaid Policy and Planning (OMPP) will cease to collect the QA. The remaining 20% of the estimated QA, or \$20.5 M, must be used to offset Medicaid costs incurred by the state.

Explanation of State Revenues: (Revised) This bill extends the authorization for the collection of the Quality Assessment and the related increased expenditures from August 2007 to August 2011. The Centers for Medicare and Medicaid Services (CMS) approved the Quality Assessment program in April 2005 allowing for the implementation of the program. The extension of the authority would authorize an estimated total annual collection of \$102.5 M for FY 2008 and FY 2009 if nursing facility days remain constant. The 20% state share of the QA for FY 2004 and FY 2005 was retroactively collected in FY 2006. The annual impact was assigned as follows.

| Fiscal Year | State 20% Share |
|--------------------|------------------------|
| FY 2004 | \$21.2 M |
| FY 2005 | \$20.8 M |
| FY 2006 | \$20.7 M |

Background: In the current model approved by CMS, the amount of the fee is based on a nursing facility's total annual patient days. Quality assessments of \$10 per non-Medicare patient day are to be collected from nursing facilities with total annual patient days of less than 70,000 days. Facilities with annual patient days equal to or greater than 70,000 days will be assessed \$2.50 per non-Medicare day. Local government-owned nursing facilities will be assessed \$2.50 per non-Medicare patient day as well. Nursing facilities that are continuing care retirement communities, hospital-based, or owned by the state are exempt from the quality assessment fee.

Medicaid is a jointly funded state and federal program. Funding for direct services is reimbursed at approximately 62% by the federal government, while the state share is about 38%. Funding for administrative services is generally shared 50/50.

Explanation of Local Expenditures: See *Explanation of State Revenues*, above, as it relates to municipally owned or county-owned nursing facilities or health facilities.

Explanation of Local Revenues:

State Agencies Affected: OMPP; Department of State Revenue; State Department of Health.

Local Agencies Affected: Municipally owned or county-owned nursing facilities or health facilities.

Information Sources: Family and Social Services Administration, Office of Medicaid Policy and Planning.

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