LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6954 **NOTE PREPARED:** Jan 1, 2010
BILL NUMBER: SB 292 **BILL AMENDED:**

SUBJECT: County Hospitals Operating Health Facilities.

FIRST AUTHOR: Sen. Waterman **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
DEDICATED
X **FEDERAL**

Summary of Legislation: This bill allows a county hospital to own, operate, or contract with a person to operate a health facility inside or outside the county in which the hospital is located.

Effective Date: July 1, 2010.

Explanation of State Expenditures:

Explanation of State Revenues: This bill could potentially impact the amount of the Quality Assessment Fee (QAF) collected by the state from health facilities. The current statute requires that 80% of the QAF collected, must be used to leverage federal Medicaid matching funds to increase nursing facility reimbursement targeting specific uses. The remaining 20% of the estimated QAF must be used to offset Medicaid costs incurred by the state. Any reductions in the QAF collected, would also reduce the amount available to the state. If facilities with fewer than 70,000 total annual patient days are acquired by local government-owned entities, the amount of the QAF would be reduced 75% (from $10 per non-Medicare patient day to $2.50 per non-Medicare patient day) due solely to the changed ownership status. The fiscal impact would depend on the actions of local government-owned hospitals.

Background Information: Quality Assurance Fee: In the current model approved by CMS, the amount of the QAF 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 QAF.

Explanation of Local Expenditures: The fiscal impact of this provision would depend on actions taken by the individual county hospitals.

Explanation of Local Revenues: The fiscal impact of this provision would depend on actions taken by the individual county hospitals. Under current law, counties may own nursing facilities.

Background Information: SEA 309-2001 required the Office of Medicaid Policy and Planning (OMPP) to file a Medicaid State Plan amendment to allow the state to make additional payments up to the Medicare Upper Payment Limit (UPL) to nonstate governmental nursing facilities in Indiana as permitted by federal regulations and subject to the availability of matching funds. At the time the State Plan amendment was filed, there were seven nonstate governmental nursing facilities in the state. The facilities supplied the state matching funds required through intergovernmental transfers. Health and Hospital Corporation of Marion County (HHC) was already operating a nursing facility and later acquired other facilities within Marion County for which the UPL could be claimed.

In 2003, the General Assembly enacted P.L. 255, which contained a provision that allowed the HHC to extend the powers, authority, and duties of the corporation outside Marion County as authorized by the corporation's board of directors. This provision allowed the HHC to acquire additional nursing facilities for which the UPL could be claimed. According to the Indiana State Department of Health (ISDH) website, HHC owns 33 facilities statewide with over 4,000 Medicare/Medicaid certified beds.

State Agencies Affected: Family and Social Services Administration; ISDH.

Local Agencies Affected: County hospitals.

Information Sources: ISDH website.

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