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FISCAL IMPACT STATEMENT

LS 6954

BILL NUMBER: SB 292

NOTE PREPARED: Jan 22, 2010

BILL AMENDED: Jan 21, 2010

SUBJECT: County Hospitals Operating Health Facilities.

FIRST AUTHOR: Sen. Waterman

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) 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.

The bill also specifies the Quality Assessment Fee (QAF) rate to be paid by certain county hospitals, including the Health and Hospital Corporation, that operate a health facility.

Effective Date: July 1, 2010.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) The bill provides that beginning October 1, 2009, a health facility acquired by a county hospital or the Health and Hospital Corporation (HHC) after June 30, 2003, shall pay the QAF at the same rate as a privately operated health facility. The bill would increase the total amount of QAF required to be collected. However, it will not affect the amount of QAF actually collected by FSSA due to prior arrangements between the state and HHC.

The bill would eliminate the local government ownership distinction in the QAF fee structure for facilities acquired after June 30, 2003, increasing the amount of total QAF collected. Under current law, if a nursing facility with fewer than 70,000 total annual patient days is acquired by a local government-owned entity, the QAF is reduced from \$10 per non-Medicare patient day to \$2.50 per non-Medicare patient day due solely to the changed ownership status. The bill would result in an increase in the QAF required to be collected by requiring facilities acquired by county hospitals or the HHC after June 30, 2003, to pay the QAF of \$10 per day. However, HHC is currently paying the \$10 rate for facilities acquired after June 30, 2003.

Background Information: 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 are assessed \$2.50 per non-Medicare day. Local government-owned nursing facilities currently are assessed \$2.50 per non-Medicare patient day, except for certain facilities acquired by HHC. Nursing facilities that are continuing care retirement communities, hospital-based, or owned by the state are exempt from the QAF.

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.

Explanation of Local Expenditures: (Revised) The fiscal impact of this provision would depend on actions taken by the individual county hospitals. If nursing facilities would be acquired, a county hospital would be responsible for providing the state match required through intergovernmental transfers to leverage any federal upper payment limit funding that might be available.

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; HHC.

Information Sources: ISDH website.

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