

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 531** SLS 18RS 1122  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 10, 2018	3:55 PM	<b>Author:</b> MILKOVICH
<b>Dept./Agy.:</b> LDH/Medicaid		<b>Analyst:</b> Shawn Hotstream
<b>Subject:</b> nursing home reimbursement methodology		

NURSING HOMES OR SEE FISC NOTE SD EX Page 1 of 1  
 Provides relative to the reimbursement methodology for nursing homes. (8/1/18)

Proposed law modifies the Medicaid reimbursement methodology for nursing homes.

Proposed law provides for the following changes to various rate components utilized in calculating nursing facility reimbursement. 1) Relative to the Direct Care rate component, requires the department to only consider nursing home residents who are Medicaid recipients (and not all residents of a nursing facility); 2) relative to the Direct Care rate component, permits LDH to limit the payment mark up over median nursing facility direct care costs (currently paid at 112% of median costs); 3) relative to Administrative/Operating rate component, permits LDH to limit mark up over median operating costs (currently 107% of median costs); 4) relative to the Capital rate component, permits LDH to implement various changes to the rental factor, including reducing the 9.25% inflation rental factor used in calculating the fair rental value of the facility; and 5) relative to the Pass Through rate component, removes reimbursement for pass through costs related to property taxes and insurance.

<b>EXPENDITURES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	SEE BELOW	\$0	SEE BELOW	\$0	SEE BELOW	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>

  

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	SEE BELOW	\$0	SEE BELOW	\$0	SEE BELOW	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>		<b>\$0</b>		<b>\$0</b>		<b>\$0</b>

**EXPENDITURE EXPLANATION**

This measure permits modifications to the nursing home reimbursement methodology that ordinarily would result in significant nursing facility payment savings in FY 19. However, Article VII, 10.14 of the Constitution appears to limit any reduction in nursing home reimbursement based on establishment of a rate floor (base). The Constitution requires the legislature to annually appropriate the funds necessary to provide for Medicaid Program rates for provider groups which pay provider fees that is not less than the average Medicaid program rates established for Fiscal Year 2013-2014. Additionally, language in the constitution further appears to allow for the base to be reestablished (with inflation increases). Therefore, it is assumed rates could not be reduced below the rates paid in FY 17/18 (current year), resulting in no savings impact in FY 19.

However, the new payment methodology could result in a future payment cost avoidance. To the extent reimbursement rates are rebased in the out years, the new payment methodology may reduce the level of rebase increase that would be paid in the absence of this measure. Rates are typically rebased every two years (scheduled for FY 19) . Although FY 19 represents a scheduled rebase year, there is no funding in HB 1 Original for rebasing.

This measure modifies various rate components to the nursing facility reimbursement methodology, including the Direct Care component, the Administrative/Operating component, the Capital related rate component, and the Pass Through component.

Note: Proposed law provides any long term care savings under this measure will be re directed to developmentally disabled services. Specifically, \$12.5 M in identified savings shall be deposited into the Community and Family Support Fund. Revenues in the fund shall be used to increase DD waiver slots. Additionally, \$13.5 M shall be utilized for home and community based service provider rates.

**REVENUE EXPLANATION**

Proposed law provides any long term care savings under this measure will be re directed to developmentally disabled services. Specifically, \$12.5 M in identified savings shall be deposited into the Community and Family Support Fund.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

  
**John D. Carpenter**  
**Legislative Fiscal Officer**