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DATE PREPARED: March 01, 2011
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LB 600

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

This bill establishes the Nursing Facility Quality Assurance Assessment Act. It provides for a quality assurance assessment to be placed on nursing facilities and skilled nursing facilities and provides for exceptions of certain facilities. The proceeds from the assessment will be placed in the Nursing Facility Quality Assurance Fund. The fund shall only be used for the following purposes: 1) to pay the department's administrative costs relating to the collection and enforcement of the assessment, 2) to pay the state's share of an add-on to the rate Medicaid pays for costs incurred by nursing facilities, 3) to rebase rates under the Medicaid Program and 4) to increase quality assurance payments to fund covered services to residents. The Department of Health and Human Services (HHS) is required to submit a state plan amendment to impose the assessment and also an application for a waiver to exempt certain facilities from the quality assurance assessment. The assessment will be in effect after HHS receives approval of a state plan amendment to increase rates per Section 26 of the bill.

Based on an assessment of \$3.50 per bed on the approximately 3,487,000 non-Medicare days, and reduced by the amount paid by facilities meeting the high volume criteria, the annual amount collected would be \$12.9 million. HHS estimates administrative expenses to be \$210,565 (\$105,282 from the Nursing Facility Cash Fund and \$105,282 from federal funds) in FY 12. In FY 13, and the amount would be \$164,031 (\$82,015 CF and FF). After expenses and payment of the Medicaid share, the amount available to increase rates would be \$9.9 million. With the federal Medicaid match the total amount available would be \$25 million. This would be an approximately 7.6% rate increase.

The Governor recommended a reduction of 5% and the Appropriations Committee, 4%. Once the assessments are established, this would alleviate the rate reduction and provide an inflationary increase.

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LB(1) 0600

FISCAL NOTE

LEGISLATIVE FISCAL

2011

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Willard Bouwens

Date Prepared:(4) March 1, 2011

Phone:(5) 471-8072

	FY 2011-2012		FY 2012-2013	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below	See Below	See Below	See Below

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

The fiscal impact of LB0600 to the Department of Health and Human Services will be as follows:

It is estimated that the administrative cost of operating the Quality Assurance Assessment Act will be \$185,000 in the first year and \$145,000 in the second year and each subsequent year (although the legislative language only allows for funding for the Department for the first two years). This would include the analysis needed to determine which facilities are to be assessed the tax, the amount of tax due from each facility, which facilities are high-volume Medicaid providers and entitled to a reduction in the amount of tax and the amount of payment to be made to the facilities. It would also include monitoring the quarterly collection of tax, calculate and impose sanctions where needed and coordinate any tax related appeals from providers. The coordination and implementation of all State and Federal rules and regulations, including but not limited to annual waiver requests and annual State Plan Amendment submission would also be provided. These administrative services would need to be provided by an outside source because DHHS does not have the resources to complete the requirements. In addition, DHHS would need .25 FTE Auditor staff to coordinate facility rate enhancements with existing cost report and rate setting processes and to coordinate provider appeals at an annual cost of \$25,565 for the first year and \$19,031 for the second year and each subsequent year. The total administrative cost for the first year (2011-2012) would be \$210,565 (\$105,282 Cash Funds and \$105,283 Federal Funds.) The total Administrative cost for the second year (2012-2013) and each subsequent year would be \$164,031 (\$82,015 Cash Funds and \$82,016 Federal Funds.)

The amount of tax to be collected by the Quality Assurance Assessment Act is estimated as follows. There are approximately 3,487,000 Non-Medicare patient days that would be subject to the \$3.50 tax, totaling \$12,200,000. It is estimated that an additional 340,000 Non-Medicare days would meet the high-volume criteria for a reduced assessment. Assuming the assessment reduction is a \$2.00 tax, these additional 340,000 Non-Medicare days would collect \$700,000 of tax. The total tax to be collected based on the assumptions listed above would be \$12,900,000. Based on the estimated assumptions, after expenses and paying back the Medicaid share of the tax as required in Section 26(3)(b), DHHS should have approximately \$9,900,000 available to match for use to increase nursing facility rates. Matching with Medicaid federal dollars there would be approximately \$25,000,000 available for rate increases. This would represent an approximate 7.6% rate increase for nursing facility Medicaid rates over the Department's base request for FY 2012.

It is assumed that the administrative cost to DHHS will be covered by the Fund, if the legislative language is amended to cover the years subsequent to the second year. There may also be additional costs to DHHS for the modifications to MMIS needed to calculate and implement the changes in payment to facilities.

Additionally, the legislative language in Section 27(2) of LB600 states that once CMS approves the tax, the Department is required to retroactively pay facilities the enhanced rate prior to the collection of the tax assessment from the facilities. This means that the Department will need to have sufficient revenue on-hand to pay out the additional funds prior to collecting it.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2011-2012	2012-2013
	11-12	12-13	EXPENDITURES	EXPENDITURES
Auditor				
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			See Above	See Above