

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 971** HLS 10RS 754

Bill Text Version: **RE-REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 7, 2010	3:43 PM	Author: ABRAMSON
Dept./Agy.: Health and Hospitals		Analyst: Patrice Thomas
Subject: Lease of Hainkel Home and Rehab Center		

NURSING HOMES

RR +\$382,821 GF EX See Note

Page 1 of 2

Provides for the leasing of the John J. Hainkel, Jr., Home and Rehabilitation Center

Proposed law provides for the secretary of the Department of Health and Hospitals and the commissioner of administration to execute a negotiated lease to the New Orleans Home for the Incurables for the John J. Hainkel, Jr., Home and Rehabilitation Center, including the lease of the property, building, equipment, movable assets, and all other appurtenances of the facility. Proposed law exempts the lease from the provisions of R.S. 41:1211 relative to the lease of public land. Proposed law authorizes the Orleans Home for the Incurables to execute a sublease or cooperative endeavor agreement with a private entity with the approval of DHH. Proposed law provides that the Medicaid rate shall be set at the public provider rate as of March 19, 2010 for at least one year from the effective date of any lease. Proposed law provides for certain lease stipulations including a readiness assessment. In addition, the proposed law allows the Department of Health and Hospitals to lease certain buildings and improvements at Southeast Louisiana Hospital to Beacon Behavioral Health.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$382,821	\$265,529	(\$443,219)	(\$443,219)	(\$443,219)	(\$681,307)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$382,821	\$265,529	(\$443,219)	(\$443,219)	(\$443,219)	(\$681,307)
REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

This legislation results in a net increase of \$382,821 in State General Fund expenditures for FY 2010-2011 based on the assumption by the Department of Health and Hospitals (DHH) that the lease will not begin until April 1, 2011 (no effective date is stated in the bill). This bill stipulates that DHH shall pay the New Orleans Home for the Incurables the current public Medicaid rate of \$180 per day for at least one year from the effective date of the lease instead of the private rate of \$144 per day. Therefore, in FY 11, no SGF Medicaid reimbursement rate savings will be realized. Also, this bill stipulates that employees who are employed by the Hainkel Home at the commencement of the lease be offered first priority for employment with the New Orleans Home for the Incurables. However, these employees will not be rehired as state employees but will be considered employees of the New Orleans Home for the Incurables. Therefore, this legislation will result in the layoff of approximately 138 state employees (of which 11 maybe eligible for retirement). This bill increases SGF expenditures by a total of \$382,821 for termination pay (\$288,675) for 138 employees and unemployment compensation (\$94,146). In addition, the State will be required to pay risk management insurance premiums and maintenance cost of \$91,071 since it will retain ownership of the facility and contents. In FY 11, total SGF expenditures required to lease the Hainkel Home is anticipated at \$2,181,928. The current SGF cost to operate the Hainkel Home is \$1,799,107 (110 Medicaid beds X \$180 per day X 360 days per year X 25.24% FMAP-SGF). The increase in total SGF expenditures to lease the Hainkel Home in FY 11 is \$382,821 (\$2,181,928 - \$1,799,107).

CONT'D Page 2

REVENUE EXPLANATION

This legislation authorizes the lease of the Hainkel Home to the New Orleans Home for the Incurables. Although it is anticipated that leasing the Hainkel Home will generate some revenues, the amount cannot be determined at this time. DHH has indicated that several alternatives for lease payments are being considered. However, the lease amount will be determined through contract negotiations. If DHH and the New Orleans Home for the Incurables cannot negotiate a lease beneficial to both parties, the Hainkel Home will remain an Office for Aging and Adult Services (OAAS)/DHH facility. DHH has not indicated where contract revenues will be remitted. However, the Legislative Fiscal Office assumes that contract revenues will be remitted to OAAS as Self-generated Revenue.

Note: For the past five years, the Hainkel Home's actual revenues have been in excess of actual expenditures resulting in the following over collections: FY 05 - \$887,237; FY 06 - \$152,704; FY 07 - \$768,849; FY 08 - \$826,805; FY 09 - \$1.7 million. The over collections are being generated in Title 19 Medicaid IAT payments, Fees and Self-generated Revenues, and Federal Funds. DHH has indicated that these revenues historically have been used to fund shortages in OAAS agencies. For FY 10, OAAS does not anticipate any over collections from the Hainkel Home due to the decrease in Medicaid public reimbursement rate from \$205 to \$180 in FY 10 and the loss of \$1.3 million SGF appropriation from FY 09.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost
 13.5.2 >= \$500,000 Annual Tax or Fee Change

House
 6.8(F) >= \$100,000 Annual SGF Cost
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Robert E. Hosse
LFO Staff Director

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 971** HLS 10RS 754

Bill Text Version: **RE-REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 7, 2010 3:43 PM	Author: ABRAMSON
Dept./Agy.: Health and Hospitals	Analyst: Patrice Thomas
Subject: Lease of Hainkel Home and Rehab Center	

CONTINUED EXPLANATION from page one:

In FY 11, a net increase of \$382,821 in SGF expenditures (\$2,181,928 - \$1,799,107) is anticipated based on one-time expenditures of \$288,675 plus the total recurring expenditures of \$94,146 for unemployment insurance payments. The fiscal note assumes the lease start date of April 1, 2011.

FY 2010-2011

	<u>Current SGF Cost for Hainkel</u>	<u>SGF Cost for Hainkel Lease</u>
SGF Public Medicaid Rate	\$1,799,107	\$1,799,107
Maintenance & Risk Mgt (paid non-SGF)	\$0	\$91,071
Termination Pay	--	\$288,675
Unemployment payments	--	\$94,146
Lease payments	--	(\$91,071)*
TOTAL FY 11	\$1,799,107	\$2,181,928

*Since the bill states that the lease rate shall be negotiated by DHH and the New Orleans Home for the Incurables, the Legislative Fiscal Office was unable to include a lease amount in the calculations. The Legislative Fiscal Office anticipates that lease payments would equal at least the cost of maintenance of the Hainkel Home and risk management payments for the facility. Note: The actual cost of risk management insurance premiums may be higher depending on the coverage that is needed once the facility is leased.

In FY 12, a net increase of \$265,529 in SGF expenditures (\$2,481,624 - \$2,216,095) is anticipated based on the SGF public Medicaid reimbursement rate savings of \$110,805 less total recurring expenditures of \$376,334 for unemployment insurance payments. The fiscal note assumes the public provider rate of \$180 per day will end on March 30, 2012 and the private provider rate of \$144 per day will begin on April 1, 2012.

FY 2011-2012

	<u>Future SGF Cost for Hainkel</u>	<u>SGF Cost for Hainkel Lease</u>
SGF Public Medicaid Rate	\$2,216,095	\$2,105,290
Maintenance & Risk Mgt (paid non-SGF)	\$0	\$364,284
Unemployment payments	--	\$376,334
Lease payments	--	(\$364,284)*
TOTAL FY 12	\$2,216,095	\$2,481,624

Note: The fiscal note assumes the Medicaid FMAP rate for FY 12 and future fiscal years is 68.91% Federal and 31.09% State.

In FY 13 through FY 15, a net decrease of \$443,219 in SGF expenditures (\$1,772,876 - \$2,216,095) is anticipated based on the SGF public Medicaid reimbursement rate saving of \$443,219. The fiscal note assumes the private provider rate of \$144 per day.

FY 2012-2013 through FY 2014-2015

	<u>Future SGF Cost for Hainkel</u>	<u>SGF Cost for Hainkel Lease</u>
SGF Public Medicaid Rate	\$2,216,095	\$1,772,876
Maintenance & Risk Mgt (paid non-SGF)	\$0	\$364,284
Lease payments	--	(\$364,284)*
TOTAL FY 13 - FY 15	\$2,216,095	\$1,772,876

Note: Historically, retiree group insurance premiums for facility retirees have been covered with revenues generated from the Hainkel Home. If this legislation passes, in future fiscal years, OAAS will have to absorb this cost. In FY 11, this cost is \$180,612. OAAS has not identified a source of funds to cover this cost in FY 11.

REVENUE EXPLANATION CONTINUED from page one:

Lease of Southeast Louisiana Hospital

This legislation was amended during the House Appropriations committee. Amendment #4699 added provisions authorizing the lease of certain buildings and improvements at Southeast Louisiana Hospital to Beacon Behavioral Health for payments equal to the value of the leased property. According to the department, any future revenues generated by the Department of Health and Hospitals as a result of the lease with Beacon Behavioral Health is indeterminable at this time.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost
 13.5.2 >= \$500,000 Annual Tax or Fee Change

House
 6.8(F) >= \$100,000 Annual SGF Cost
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Robert E. Hosse
Robert E. Hosse
LFO Staff Director