

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



Fiscal Note On: **HB 461** HLS 18RS 224

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> March 26, 2018 3:10 PM	<b>Author:</b> TALBOT
<b>Dept./Agy.:</b> LDH/Medicaid	<b>Analyst:</b> Shawn Hotstream
<b>Subject:</b> nursing home financing	

MEDICAID OR SEE FISC NOTE GF EX  
Provides relative to Medicaid financing of nursing home care

Proposed law modifies the Medicaid reimbursement rate methodology for nursing homes.

Proposed law provides for the following: 1) with respect to any acuity level component of the Medicaid reimbursement rate calculation for nursing homes, the department shall consider only the acuity level of nursing home residents who are Medicaid recipients, and shall exclude the acuity levels of residents whose care is financed by Medicare or any other means; and 2) with respect to any capital component of the Medicaid reimbursement rate calculation for nursing homes, the department shall incorporate a minimum rental factor of no greater than 9%.

<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.	SEE BELOW	\$0	SEE BELOW	\$0	SEE BELOW	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	SEE BELOW	\$0	SEE BELOW	\$0	SEE BELOW	<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>
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Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	SEE BELOW	\$0	SEE BELOW	\$0	SEE BELOW	<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**

Based on a 2017 Legislative Auditor report (Medicaid rates for nursing homes), LDH anticipates savings of \$76.7 M in total funding as a result of modifying the nursing home rate methodology under this measure. The estimate is based on the modification of certain rate components used to calculate Medicaid reimbursement rates to nursing facilities. Specific modifications include reducing the rental factor from a minimum of 9.25% to a maximum of 9% (\$57 M projected savings), and only applying an acuity factor to Medicaid residents only within a nursing facility (\$19.7 M projected savings).

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. To the extent reimbursement rates are rebased in the outyears, 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.

**REVENUE EXPLANATION**

Federal matching funds are impacted to the extent Medicaid payments to nursing facilities would be limited in future years.

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

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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