

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7049
BILL NUMBER: SB 510

DATE PREPARED: Jan 14, 2000
BILL AMENDED:

SUBJECT: Health Facility Bed Bank.

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
X **FEDERAL**

IMPACT: State

Summary of Legislation: This bill authorizes a health facility to reduce the number of its comprehensive care beds by "banking" any number of its comprehensive care beds for a period not to exceed four years. The bill defines "banking" as the termination of the use of a health facility bed as a comprehensive care bed. The bill also requires the Office of Medicaid Policy and Planning (OMPP) to recalculate a nursing facility's Medicaid reimbursement rate if the facility: (1) banks comprehensive care beds; or (2) converts banked beds back to comprehensive care beds. The bill also provides guidelines for recalculating the nursing facility's rate and for banking comprehensive care beds and for converting banked beds back to comprehensive care beds.

This bill also requires the State Department of Health to modify: (1) the license of a facility that banks comprehensive care beds; and (2) the license of a facility that converts banked beds back to comprehensive care beds. It also requires the State Department of Health to ensure that a facility that has banked beds does not use the beds for comprehensive care purposes.

If a facility fails to convert a banked bed back to a comprehensive care bed within four years of banking the bed, the facility is permanently barred from using the banked bed as a comprehensive care bed. The bill provides that, with certain exceptions, comprehensive care beds may not be added or constructed. It also provides that certain residential beds, unlicensed beds, and acute care beds may not be converted to comprehensive care beds. The bill also restricts construction of new comprehensive care bed capacity except for circumstances outlined in the bill.

Effective Date: July 1, 2000.

Explanation of State Expenditures: (Revised) This bill would result in increased state expenditures to nursing facilities through the Medicaid case-mix reimbursement system. The extent of the increased expenditures would ultimately depend upon participation rates by nursing facilities in the "bed banking" program. Medicaid expenditures are cost-shared with the federal government (Federal share of 62%; state

share of 38%).

Background: This bill allows a nursing facility to "bank" any number of comprehensive care beds for up to a four-year period. (However, there is no prohibition in the bill to unbank beds before the four-year period is over and, then immediately rebank the beds.) A banked bed may not be used for comprehensive care purposes. When a facility chooses to bank comprehensive care beds, OMPP is to recalculate the facility's Medicaid reimbursement rate, using the reduced number of beds in all occupancy calculations.

The capital component of the case-mix reimbursement rate is based on an assumed 95% occupancy rate (regardless of the actual occupancy rate of the facility). "Banking" of beds effectively reduces the number of beds that the facility's capital costs are spread over, thereby increasing the capital cost per bed for which the facility will be reimbursed.

The average occupancy rate for certified nursing home beds in Indiana is about 72%. This implies current excess capacity in the industry of about 28% of all certified beds. The likely participation rate of nursing homes in the bed bank program is not known. Although not all of the excess capacity would be banked, there is probably sufficient capacity to significantly influence reimbursement rates and, thus, state expenditures in the Medicaid program. The additional state expenditures if all excess capacity were banked is estimated to be about \$5.5 M annually (Total additional expenditures of \$14.4 M; Federal share of \$8.9 M). Lesser participation would result in a proportionally smaller impact.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal reimbursement in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning

Local Agencies Affected:

Information Sources: Kris Knerr, Myers and Stauffer, (317) 846-9521.