

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6094

BILL NUMBER: HB 1196

NOTE PREPARED: Feb 27, 2009

BILL AMENDED:

SUBJECT: Extension of Nursing Facility Quality Assessment Fee.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR: Sen. Miller

BILL STATUS: As Passed House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill extends the nursing facility Quality Assessment Fee (QAF) until August 1, 2013. The current QAF is scheduled to expire August 1, 2009.

(The introduced version of this bill was prepared by the Select Joint Commission on Medicaid Oversight.)

Effective Date: July 1, 2009.

Explanation of State Expenditures: This bill would extend the required increase in Medicaid nursing facility reimbursement for four years. The current statute requires that 80% of the QAF collected, must be used to leverage federal Medicaid matching funds to increase nursing facility reimbursement targeting specific uses. The remaining 20% of the estimated QAF must be used to offset Medicaid costs incurred by the state. Should federal financial participation become unavailable to provide for the additional reimbursement, current law provides that the Office of Medicaid Policy and Planning (OMPP) will cease to collect the QAF.

(Revised) *Impact of the Federal Stimulus Bill:* A 6.2% enhanced federal match add-on as well as an estimated 2.77% bonus unemployment percentage will be available to the state from October 1, 2008, to December 31, 2010. The enhanced federal matching rate will result in a temporary increase in nursing facility reimbursements related to the QAF of \$54.8 M in FY 2009, \$81.5 M in FY 2010, and \$40.8 M in FY 2011.

Explanation of State Revenues: Extending the authorization for the collection of the QAF and the related increased expenditures from August 2009 to August 2013 would authorize an estimated annual collection of about \$100 M for FY 2010 through FY 2013 if nursing facility days remain constant. The total annual

collections and the state share of the collections are as follows.

Fiscal Year	QAF Collections	State 20% Share
FY 2006	\$ 333.9 M	\$ 62.7 M
FY 2007	\$ 108.3 M	\$ 21.7 M
FY 2008	\$ 107.7 M	\$ 21.5 M
FY 2009 *	\$ 102.1 M	\$ 20.4 M
FY 2010 *	\$ 100.9 M	\$ 20.1 M
FY 2011*	\$ 99.9 M	\$ 19.8 M
* Estimated		

Background: In the current model approved by CMS, the amount of the fee is based on a nursing facility's total annual patient days. Quality assessments of \$10 per non-Medicare patient day are to be collected from nursing facilities with total annual patient days of less than 70,000 days. Facilities with annual patient days equal to or greater than 70,000 days will be assessed \$2.50 per non-Medicare day. Local government-owned nursing facilities will be assessed \$2.50 per non-Medicare patient day as well. Nursing facilities that are continuing care retirement communities, hospital-based, or owned by the state are exempt from the QAF.

(Revised) Medicaid is a jointly funded state and federal program. Funding for direct services is reimbursed at approximately 64% by the federal government, while the state share is about 36%. Funding for administrative services is generally shared 50/50. The stimulus add-on percentage of 6.2% and the estimated 2.77% bonus unemployment percentage do not apply to medical assistance that is currently eligible for *enhanced* FMAP such as CHIP, nor do they apply to Disproportionate Share Hospital payments.

Explanation of Local Expenditures: See *Explanation of State Revenues*, above, as it relates to municipally owned or county-owned nursing facilities or health facilities.

Explanation of Local Revenues:

State Agencies Affected: OMPP; Department of State Revenue; State Department of Health.

Local Agencies Affected: Municipally owned or county-owned nursing facilities or health facilities.

Information Sources: Family and Social Services Administration, OMPP.

Fiscal Analyst: Kathy Norris, 317-234-1360.