

FISCAL ESTIMATE FORM

1999-2000 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 4632/1

BILL # AB0857

Admin. Rule #

Subject
Nursing Home Wage Pass-Through

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Decrease Costs

Local: No local government costs

1. Increase Costs
 Permissive Mandatory
2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20.435 (4) (b), (4) (o)

Assumptions Used in Arriving at Fiscal Estimate:

Under current Law, the Department of Health and Family Services (DHFS) pays a combination of general purpose revenues and federal medicaid moneys to nursing homes for care provided to recipients of medical assistance (MA). DHFS must calculate a payment rate for a nursing home by applying, to information from cost reports for the nursing home's previous fiscal year, a statutory formula that includes specified standards and considers specified cost centers and allowable costs. Among the cost centers that DHFS must consider is allowable support service costs, including dietary service and environmental service (providing maintenance, housekeeping, laundry and security services).

Under this bill, DHFS would be provided a supplement of \$4,550,000 of general purpose revenues and federal medicaid moneys to the MA payment rates for nursing homes, beginning on July 1, 2000, for the payment of wages or salaries or an increase in the staff hours of housekeeping, laundry and food workers. Each nursing home may apply to DHFS to receive the maximum amount of the supplement which is calculated to be 3.5% of wages and salaries for the specified workers per patient day as shown on the nursing home's 1998 cost report. This bill also requires DHFS to ensure that the supplement was used by nursing homes to increase wages for the specified workers per patient day by at least 3.5% in addition to any increases due to a collective bargaining agreement in effect on January 1, 2000. If DHFS determines that the supplement was not expended as required, then DHFS may recoup that part of the supplement not expended as required.

The cost of increasing wages and salaries for housekeeping, laundry and food workers is estimated to be approximately equal to the amount appropriated under this bill. Based on 1998 cost reports from private and county run nursing homes, a 3.5% increase in wages and salaries for the specified workers would cost \$3,730,000 all funds. Additionally, this bill allows wage and salary increases for the State Centers for the developmentally disabled and the Wisconsin Veterans' Home at King. Although the Centers and King are paid at actual cost, DHFS would be required to use the funds appropriated under this bill to pay an increase in wages and salaries for the specified workers at the Centers and King. Including the additional costs from the Centers and King, DHFS expects the total cost of the supplement to reach the amount appropriated under the bill.

Continued on page two.

Long-Range Fiscal Implications:

The funding appropriated under this bill expires June 30, 2001, and after that date, nursing homes may not be fully reimbursed for the ongoing costs of increased wages and salaries.

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Date

3-13-00

Nursing Home Wage Pass-Through

DHFS also anticipates costs at the local and state level, which are not included in the amount appropriated for this bill. At the local level this bill will increase costs for counties choosing to participate. Because this bill reimburses nursing homes for wages of workers providing services to MA recipients only, county nursing homes will be responsible for the wage increase for workers providing services to non-MA recipients. DHFS estimates that a 3.5% increase in wages will result in \$242,000 in non-reimbursable costs to counties. Additionally, fringe benefit costs are not reimbursable costs under the supplement, and participating counties' nursing homes will be responsible for approximately 21% of their wage and salary increases in pension fund payments and employers' share of social security payments. DHFS estimates that if all counties participate in the supplement, their wage and salary increase would cost \$960,000, which would be reimbursable under the supplement, plus \$201,000(21%) in fringe benefits which would not be reimbursable under the supplement.

At the state level, this bill is estimated to result in a loss to the state of approximately \$1.1 million dollars in federal Intergovernmental Transfer Program (IGT) payments because county nursing homes are estimated to decrease losses by \$760,000. Additionally, in order to complete the bill's required review to assure compliance with the intent of the supplement, the Department will require additional resources. It is assumed that reviewing each of the 411 nursing homes serving MA recipients will require approximately 6 hours of auditor time for one year. This equals 2,466 hours of work time, and using 1,850 hours of available work time per FTE, the Department will require an additional 1.3 FTE at the Auditor-Senior classification. This is equivalent to an annual cost of \$77,200 ($\$21/\text{hour} \times 1.36 \text{ fringe} \times 2080 \text{ hours} \times 1.3 \text{ FTE} = \$77,200$). This cost split is \$38,600 GPR and \$38,600 FED. It is also assumed that reviewing collective bargaining agreements to ensure compliance with the bill will require the expertise of legal counsel and DER. However, the cost of legal counsel and DER expertise cannot be estimated at this time.

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 46321/1

Admin. Rule #

BILL # AB0857

Subject

Nursing Home Wage Pass-Through

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:		Annualized Fiscal impact on State funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$ 77,200	\$ -
(FTE Position Changes)		(1.3 FTE)	(- FTE)
State Operations - Other Costs			-
Local Assistance			-
Aids to Individuals or Organizations		5,650,000	-
TOTAL State Costs by Category		\$ 5,727,200	\$ -
B. State Costs by Source of Funds		Increased Costs	Decreased Costs
GPR		\$ 2,996,700	\$ -
FED		2,730,500	-
PRO/PRS			-
SEG/SEG-S			-
State Revenues Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		Increased Rev.	Decreased Rev.
GPR Taxes		\$	\$ -
GPR Earned			-
FED			- 1,100,000
PRO/PRS			-
SEG/SEG-S			-
TOTAL State Revenues		\$	\$ -

NET ANNUALIZED FISCAL IMPACT

STATE

LOCAL

NET CHANGE IN COSTS \$5,727,200 _____ \$1,403,000 _____

NET CHANGE IN REVENUES \$ _____ \$960,000 _____

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