

### Fiscal Estimate - 2005 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>05-3763/1</b>	<b>Introduction Number</b> <b>AB-771</b>
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**Description**  
 Required general fund statutory balance, required general fund structural balance, increasing nursing home Medical Assistance reimbursement, and making appropriations

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input checked="" type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input checked="" type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs	3. <input type="checkbox"/> Increase Revenue	<b>5. Types of Local Government Units Affected</b>	
<input checked="" type="checkbox"/> Indeterminate	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Towns	<input type="checkbox"/> Village <input type="checkbox"/> Cities
1. <input type="checkbox"/> Increase Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input checked="" type="checkbox"/> Counties	<input type="checkbox"/> Others
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory			

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.435 (4)(b) and (o)	

<b>Agency/Prepared By</b> DHFS/ Lori Richter (608) 266-5422	<b>Authorized Signature</b> Andy Forsaith (608) 266-7684	<b>Date</b> 10/31/2005
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**Fiscal Estimate Narratives**  
**DHFS 10/31/2005**

LRB Number <b>05-3763/1</b>	Introduction Number <b>AB-771</b>	Estimate Type <b>Original</b>
<b>Description</b> Required general fund statutory balance, required general fund structural balance, increasing nursing home Medical Assistance reimbursement, and making appropriations		

**Assumptions Used in Arriving at Fiscal Estimate**

Bill Summary

This bill increases the State general purpose revenue (GPR) appropriation by \$5,141,700 in FY 06 and by \$10,118,000 in FY07 to fund an increase in the Medicaid (MA) nursing home reimbursement rate of 1.4%. It requires that facilities use at least 50% of the additional revenue they receive for direct care wages, fringe benefits, or staff hours. The bill lowers the required General Fund ending reserve balance from \$65,000,000 to \$60,000,000 in FY 06 and \$50,000,000 in FY 07. Also, the bill exempts the appropriations changes for FY 07 from the requirement in 20.003 (4m) that prohibits a structural deficit in the General Fund.

Fiscal Impact

On an annual basis, the bill will increase GPR expenditures in the MA program by \$10,118,000 GPR. It will also increase federal MA revenues and expenditures by \$13,616,459 FED. There would be a program cost to DHFS and a time lag to allow public notice for submitting a Nursing Home State Plan Amendment to permit a mid-cycle rate increase over and above that permitted under the biennial budget act, but this cost could be absorbed within the Department's current program budget. The provision requiring facilities to use 50% of the rate increase for direct care wages, fringe benefits, or staff hours will have no fiscal effect on the Department of Health and Family Services (DHFS). While SB-343 creates a legal obligation for nursing facilities, it does not explicitly suggest that DHFS would have a role in enforcing the requirement. Moreover, no funds are provided in the bill for administration or enforcement by the Department.

The fact that the duty is created in a nonstatutory provision rather than in the sections of the existing statutes under which DHFS sets Medicaid rates and distributes Medicaid payments supports the conclusion that DHFS would not have the authority under the language of the bill itself to enforce the requirement that facilities spend 50% of increased Medicaid reimbursement on increases in staff.

The provision might be enforced in several ways. First, it might be enforced upon complaint to a district attorney via forfeiture proceedings, per s. 939.61 (1). Facility staff might also bring a civil cause of action in state court to enforce the nursing facility's duty. The costs to facilities under each of these options is indeterminate.

AB-771 may also have a fiscal impact on publicly-operated nursing facilities if the provision leads to higher wages, fringe benefits, or hours than would have occurred due to market conditions, since the non-MA share to fund additional staffing would be a new cost to facilities. The amount of this additional cost would depend upon the facility-by-facility allocation of additional reimbursement and the corresponding amount of non-MA share of that reimbursement to individual facilities.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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LRB Number <b>05-3763/1</b>		Introduction Number <b>AB-771</b>	
<b>Description</b> Required general fund statutory balance, required general fund structural balance, increasing nursing home Medical Assistance reimbursement, and making appropriations			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)		(0.0 FTE)	
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations		23,734,459	
<b>TOTAL State Costs by Category</b>		<b>\$23,734,459</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR		10,118,000	
FED		13,616,459	
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED		13,616,459	
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$13,616,459</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$23,734,459	\$
NET CHANGE IN REVENUE		\$13,616,459	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DHFS/ Lori Richter (608) 266-5422		Andy Forsaith (608) 266-7684	10/31/2005