

Fiscal Estimate Narratives

DHFS 12/6/2005

LRB Number	05-0431/1	Introduction Number	AB-813	Estimate Type	Original
Description The transfer of funds from Medical Assistance to the Long-term Support Community Options Program under certain conditions					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Department of Health and Family Services (DHFS) submits an annual report to the Joint Committee on Finance (JFC) on the previous fiscal year (FY) nursing home bed utilization by Medical Assistance (MA) recipients. The report also requires a projection of current fiscal year MA expenditures and likely MA balances. If the report shows a utilization by MA recipients at a rate less than assumed in the budget, the Department must propose a transfer of funds associated with that decrease from the MA budget to the Community Options Program (COP), as long as such a transfer would not result in a deficit in MA in the current fiscal year or biennium.

This bill requires DHFS to report information on bed utilization by MA recipients for the two previous FYs, and eliminates the requirement to report expenditure and balance information. If the annual report indicates a decrease in bed utilization between the first and second year, the Department must propose a transfer of funds from the MA benefit appropriation to the appropriation for COP. The proposed transfer must be equal to the decline in utilization times the average cost of care and times the state share of the MA cost (currently, 42.18%). The bill requires that 60% of the amount transferred to the COP appropriation be allocated to the portion of COP that receives federal matching funds.

An estimate of nursing home patient days for FY 04 and FY 05 indicates a decline of 347,649 patient days. The average cost of care across all categories is approximately \$100 per MA patient day. As a result, DHFS would be required to propose a transfer of approximately \$14.7 million GPR to the COP program in FY 06.

There has been a trend of declining patient days. In addition, in SFY 06, the Department has several initiatives that are designed to reduce the number of MA residents in nursing homes. The ICF-MR Restructuring Initiative, the Community Relocation Initiative, and the Community Opportunities and Recovery waiver for chronically mentally ill residents are designed to relocate over 1,000 nursing home residents to a community placement in the 2005-07 biennium. These programs will accelerate the reduction in MA nursing home residents that has been experienced in recent years. Therefore, it is likely that under the bill there would be additional proposed COP transfers in future years. However, the amount of such transfers depend upon the change in bed utilization between the first and second reporting FYs and the average daily cost of care. Also, any proposed transfer of funds would have to be approved by the Joint Finance Committee (JFC).

In each biennial budget, the MA budget is re-estimated based on current year service utilization and costs, plus a projection of utilization and costs for the coming biennium. The 2005-07 biennial budget reduced funding for MA nursing home services, based in part on declines in nursing home patient days in FY 04 and FY 05 and projected further declines in FY 06 and FY 07, due to the above mentioned initiatives and other trends. This bill requires DHFS to propose a transfer based on prior year patient day declines, even if the current MA funding levels already reflect these declines. As a result, such a transfer, if approved, would create a funding shortfall in MA.

In addition, the bill would require DHFS to propose transfers to the COP program even if the overall MA budget is in deficit. Such transfers, if approved, would exacerbate any such deficit.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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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 funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
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