

Fiscal Estimate Narratives

DHFS 3/21/2006

LRB Number	05-4772/1	Introduction Number	SB-662	Estimate Type	Original
Description Requiring the Department of Health and Family Services to treat 4 counties as one labor region for purposes of Medical Assistance nursing home reimbursement					

Assumptions Used in Arriving at Fiscal Estimate

Currently, nursing homes receive a daily rate for providing nursing home care to Medicaid (MA) recipients. The methodology for determining rates is based on a formula suggested by the nursing home industry, which has been used since 2001. According to the methodology, rates are adjusted to account for labor region cost differentials. Dane, Iowa, and Columbia Counties are currently one labor region. Rock County is currently in its own labor region. This bill requires the Department of Health and Family Services (DHFS) to treat the counties of Dane, Iowa, Columbia, and Rock as a single labor region for MA nursing home reimbursement.

There would not be any net state fiscal impact on nursing home expenditures under MA, since the labor factor is indexed based on funds available. The labor factor only affects the distribution of MA payments among homes. The effect on individual homes in the new labor region composed of the Counties of Dane, Columbia, Iowa, and Rock would vary by county. Revenue for homes in Dane, Iowa, and Columbia Counties would decrease while homes in Rock County would increase. Nursing homes in Dane, Iowa and Columbia Counties would experience a decrease in their nursing homes' direct care maximums by approximately 2.7%. This could potentially reduce payments for direct care costs by 2.7%. Nursing homes in Rock County would see an increase of approximately 4.8% in their direct care maximums. Direct care costs comprise approximately 67% of total costs to nursing homes.

There would not be any additional administrative costs to the department as a result of this bill. There would be a negative revenue effect on county homes in Dane, Iowa, and Columbia counties and a positive revenue effect for county homes in Rock County as a result of the new labor region.

Long-Range Fiscal Implications