

1999 DRAFTING REQUEST

Bill

Received: **09/8/98**

Received By: **kenneda**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget 7-7980**

By/Representing: **Geisler**

This file may be shown to any legislator: **NO**

Drafter: **kenneda**

May Contact: **DHFS--Forsaith**

Alt. Drafters:

Subject: **Health - miscellaneous**

Extra Copies:

Topic:

DOA:.....Geisler - Eliminate net income as basis for home health agency licensing fee

Instructions:

See Attached; same as 97-5282

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	kenneda 09/8/98	jgeller 09/8/98	jfrantze 09/9/98	_____	lrb_docadmin 09/9/98		State

FE Sent For:

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17	kenneda	1-9-8-98 JLG	8/9/9	JTR 9/9			

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DHFS

Department of Health and Family Services
1999-2001 Biennial Budget Statutory Language Request
June 27, 1998

Title: Home Health Licensing Fees

Current Language

S. 50.49(2)(b) authorizes DHFS to set the license fee for home health agencies in rule, but requires that the fee be based on agencies' net annual income.

Proposed Change

Eliminate the requirement that the fee be based on net annual income.

Effect of the Change

The change would allow DHFS to base the fee on another criteria, such as gross income.

Background and Rationale for the Change

1. Currently, the home health fee is 3 percent of net income, with a minimum fee of \$500 and a maximum fee of \$2,500. The large majority of providers pay either the minimum or the maximum fee. This fee structure generates insufficient fee revenues to support PRO funded home health licensing positions in the Bureau of Quality Assurance.
2. One could argue that it is more equitable to base a fee on an agency's adjusted gross revenue because adjusted gross income better reflects the size of an agency and therefore the Department's cost in regulating it. A large corporate entity that owns a home health agency can assign general expenses to its home health unit, thereby enabling the unit to report a small net income and qualify for the minimum fee. Many of these agencies do in fact pay the minimum \$500 fee. By contrast, a modestly sized and modestly profitable agency could easily be forced to pay the maximum fee. On the other hand, some providers would argue that net income is a better measure of an agency's profitability and therefore its ability to pay the license "tax."
3. In its 1997-99 biennial budget request, DHFS proposed shifting 2.0 FTE home health licensing positions from FED to PRO funding, because federal MA funding for home health survey activities has been insufficient to support these positions. The Legislature approved this position shift in the 97-99 budget. However, DOA rejected a separate statutory language

request to eliminate the net income criteria in the home health fee language, which, the Department argued, would have generated sufficient revenue to fund the 2.0 FTE positions to PRO.

4. In past fiscal years, when BQA was unable to generate sufficient MA revenues to fund the 2.0 FTE home health positions, the cost of the positions was charged through a time study to BQA's GPR appropriation. Those costs will likely be charged to GPR again in FY 98.

5. The total cost of PRO-funded home health licensing positions is \$296,600 in FY 98 and \$300,300 in FY 99. To fully support these positions with fee revenues under the current net income criteria, DHFS could raise the minimum home health licensing fee from \$500 to \$1,400 and the maximum fee from \$2,500 to \$3,400. Under this approach, 97 percent of the agencies would see an average fee increase of approximately 100 percent.

6. If the statute were changed to eliminate the net income criteria, DHFS could fully support the PRO positions by changing the fee to equal .25 percent of the agency's adjusted gross revenue, with the minimum and maximum fees remaining at \$500 and \$2,500 respectively. Under this approach, 69 percent of the agencies would see a fee increase. Fees would increase by more than \$1,000 for 39 percent of the agencies and would decrease for 9 percent.

Desired Effective Date: Upon passage
Agency: DHFS
Agency Contact: Andy Forsaith
Phone: 266-7684



State of Wisconsin
1997 - 1998 LEGISLATURE

LRB-5282/1

DAK:.....

1/9

DOA:.....Geisler - Eliminate net income as basis for home health agency
licensing fee

FOR 1997-99 BUDGET - NOT READY FOR INTRODUCTION

1 *do not gen*
AN ACT ...; relating to: eliminating net income as the basis for establishing home
2 health agency license renewal fees.

Analysis by the Legislative Reference Bureau

✓ HEALTH AND HUMAN SERVICES

✓ HEALTH

Under current law, the department of health and family services (DHFS) must, by rule, base fees for renewal of home health agency licenses on the annual net income, as determined by DHFS, of each home health agency seeking license renewal.

This bill eliminates annual net income of home health agencies as a basis for establishing fees for home health agency license renewal, thus permitting DHFS, by rule, to base fees on any criterion.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3 SECTION 1. 50.49 (2) (b) of the statutes is amended to read:

), as affected by 1997 Wisconsin Act 27,



State of Wisconsin

1997-1998 LEGISLATURE

1999-2000

D-NOTE
SOON

0026/1
LRB-5282/1
DAK:jlg:km
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stays

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3 SECTION 1. 50.49 (2) (b) of the statutes, as affected by 1997 Wisconsin Act 21,
4 is amended to read:

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0026/1dn

DAK...:~:...

Jlg

To Andy Forsaith and Jeff Geisler:

This draft is identical to and replaces 97-5282/1.

Debora A. Kennedy
Assistant Chief Counsel
266-0137

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0026/1dn
DAK:jl:gjf

September 9, 1998

To Andy Forsaith and Jeff Geisler:

This draft is identical to and replaces 97-5282/1.

Debra A. Kennedy
Assistant Chief Counsel
266-0137



State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-0026/1
DAK:jljg:jf

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