

Fiscal Estimate Narratives
DHFS 3/4/02

LRB Number	01-3287/1	Introduction Number	AB-691	Estimate Type	Original
Subject					
Modification to COP/MA funds transfer					

Assumptions Used in Arriving at Fiscal Estimate

This bill would modify the procedure for determining a potential transfer from the appropriation for Medical Assistance (MA) to the appropriation for the Community Options Program (COP), based on the utilization of nursing home beds by MA recipients.

Under current law, the potential transfer cannot be made unless: (a) the utilization of nursing home beds by nursing home recipients is less than budgeted amounts; and (b) a transfer would not cause a deficit in the MA appropriation. The Department of Health and Family Services determines whether these conditions are met, and is authorized to make an appropriate transfer when these conditions are met. The Department is required to send a report to the Joint Committee on Finance, but review and approval by the Committee is not required.

The bill would allow a potential transfer if there were a decline in the actual utilization of nursing home beds by MA recipients in the last two preceding years, rather than a decline from budgeted levels. The requirement to consider whether a transfer would create a deficit would be eliminated. The bill would require the Department to propose a transfer equal to the decline in patient days times the actual average cost of care in the preceding year times the state's share of MA costs. The proposed transfer would be subject to a 14-day passive review by the Joint Committee on Finance. The Committee could modify the proposed transfer. The bill requires that, if a transfer is made, 40% must be used for regular COP (state-only funded) and 60% for COP-W (MA funded). These new provisions would be effective in the 2002-03 state fiscal year.

Under current law, it is unlikely that a transfer would be proposed in 2002-03 since it is anticipated that a deficit will exist in the MA appropriation for that year. The formula and conditions established in the bill would likely lead to a proposed transfer by the Department of approximately \$9 million GPR in 2002-03. However, since the potential transfer under the bill would be subject to review by the Joint Committee on Finance, it is uncertain whether the proposed transfer would be approved, especially given that a deficit in the MA appropriation is projected and the current financial problems being experienced by the State.

The current practice for determining the appropriate funding level for the MA appropriation in the biennial budget is to project caseload and utilization for all non-waiver MA services, including nursing services. Funding levels are set for the two years of the biennial budget based on these caseload and utilization projections as part of the MA base reestimate. Thus, if MA nursing home utilization is projected to decrease over the biennium, as has been the trend, the savings from the projected decreased MA nursing home utilization are budgeted prospectively as part of the MA base reestimate. As a result, funding in the MA appropriation is not available to transfer to other appropriations when the declines in nursing home utilization is only equal to the projected decline.

If this bill is adopted, it might affect the future process for the MA base reestimate during the biennial budget process. It would be difficult to reduce the MA appropriation in the biennial budget process for anticipated declines in nursing home utilization, since this bill would require the Department to propose a transfer based on all declines in nursing home utilization, even if part of the decline was expected and funding was reduced based on that expectation.

Although current budgeting methods anticipate savings from declines in nursing home utilization and adjust the MA appropriation accordingly, it should be recognized that this budgeting practice does not deny that there is a relationship between COP and other community-based long-term care programs and the use of nursing homes.

A significant portion of the decline in nursing home utilization may be due to increased demand for COP and other community-based long-term care programs. However, under current budget practices which were utilized in the 01-03 biennial budget bill, the savings from projected decreased nursing home utilization have already been "utilized" in the sense that they were budgeted as part of the 01-03 biennial budget bill. Legislation creating a connection between COP funding and nursing home utilization might be established beginning in 2003-04, but such legislation may need to include a provision that insures that budgeting procedures and the determination of the transfer amount are coordinated.

Long-Range Fiscal Implications