

Fiscal Estimate Narratives

DHFS 3/7/02

LRB Number	01-4908/1	Introduction Number	AB-856	Estimate Type	Original
Subject					
Require DHFS to make same number nursing home bed licenses available to applicants as held by owner who is transferring beds to another location					

Assumptions Used in Arriving at Fiscal Estimate

Under this bill, the Department of Health and Family Services would be required to increase the statewide nursing home bed limit by the number of beds of a nursing home that is closed, that is located within 15 miles of a city with a 1990 population of 4,474 in a county with a 1990 population of 30,236, and from which the approved beds transfer to a different location.

It is uncertain that the increase in the statewide bed limit under this bill would increase the demand for nursing home services and thus increase the number of occupied beds for which the Medical Assistance program (MA) pays. If it did, and a new nursing home replicated the services provided by the previous nursing home, the net annual MA cost of providing services would be on the order of \$1.7 million (i.e. 17,818 patient days X \$94.68 per day by FY 03, all funds). However, in recent state fiscal years, the demand for nursing home services by MA recipients, as measured by MA patient days per year, has declined.

Additionally, Chapter 150 regulations require the Department to determine that there is a need for additional beds in the region in which beds are available before the Department may award any additional nursing home beds. The Department would be required to make a Chapter 150 finding of an emergency and to publish administrative rules, in order to authorize the allocation of additional nursing home beds. Declines in nursing home utilization in recent years make such a finding problematical, both with regard to the county referenced in this bill and elsewhere in Wisconsin. Even if such a Department finding of an emergency were to occur, such a Chapter 150 finding would involve administrative rules whereby both the final location of the beds and the nursing home provider of choice would be indeterminate, pending the competitive outcome of several different applications for the same additional beds.

It is unclear if and to what extent the new beds would actually result in a new nursing home, where it might be located, and to what extent the facility's costs might represent new MA costs. The fiscal effect might range anywhere between \$0 and \$1.7 million AF based and conditioned on assumptions regarding the replacement nursing home and whether the home's MA residents represent diversions from other homes or "new" MA nursing home recipients. Even if there were no net increase in MA nursing home residents statewide, net MA costs could rise if MA nursing home residents transferred from older facilities into a new home. A new home would likely have higher property costs per resident and other homes would be operating at lower occupancy levels.

Because this bill's annual fiscal effect could range between \$0 and \$1.7 million AF, the net annual fiscal effect of this bill is indeterminate.

Long-Range Fiscal Implications