

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-1343/1	Introduction Number SB-032
Description Diversions under a community integration program of Medical Assistance-eligible persons from imminent entry into nursing homes	
Fiscal Effect	
State:	
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate	
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs
Local:	
<input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
Fund Sources Affected	
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.435(4)(b), 20.435(4)(o)	
Affected Ch. 20 Appropriations	
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Date 4/25/2007	

Fiscal Estimate Narratives

DHFS 4/25/2007

LRB Number	07-1343/1	Introduction Number	SB-032	Estimate Type	Original
Description Diversions under a community integration program of Medical Assistance-eligible persons from imminent entry into nursing homes					

Assumptions Used in Arriving at Fiscal Estimate

2005 Act 355 directed the Department to provide home and community-based care for 150 individuals at risk of entering a nursing home through a waiver of Medical Assistance (MA) laws. Under current law, the Community Integration Program II (CIP II) Nursing Home Diversion Initiative authorizes the Department to provide community placements for individuals who meet MA functional and financial eligibility criteria, and who are at imminent risk of entering a nursing home. The statutes also authorize the Department to offer enhanced reimbursement for these placements. To identify individuals at imminent risk of entering a nursing home, the Department developed criteria based on national studies identifying the leading causes of admission to a nursing home.

SB 32 would remove the cap on nursing home diversions. In addition, this bill would no longer require the Department to obtain approval from the Joint Committee on Finance in order to increase the number of diversion slots.

The Nursing Home Diversion Initiative is intended to be cost neutral. The Department uses funds in the MA nursing home budget that would have been used to support diverted individuals if they had entered a nursing home to fund community placements for these individuals. To design the program to be cost neutral, it is important to use eligibility criteria that identify as accurately as possible when individuals are at imminent risk of entering a nursing home. If the Department provides placements to individuals who would not have entered the nursing home in the absence of a community slot, the program would not be cost neutral. It is impossible to know with certainty whether an individual who received a diversion placement would have gone into a nursing home in the absence of the diversion opportunity.

The Department cannot determine the precise number of individuals who would request a nursing home diversion slot if the cap were removed. In addition, because it is impossible to determine with certainty whether an individual is a "true" diversion in every circumstance, the Department cannot determine the precise fiscal impact of the bill.

The number of people who would qualify for a diversion placement if the cap were removed depends on a number of factors. First, the statutes specify that the total number of CIP II placements (both diversion and non diversion placements) not exceed the total number of nursing home beds delicensed since the beginning of the program. It is estimated that the number of delicensed beds exceeds the number of CIP II placements by over 3,000.

Secondly, as of February 28, 2007, there were 7,386 elderly and individuals with physical disabilities waiting for community placement. It is estimated that 20%, or 1,477 of these individuals would meet the Department's criteria for imminent entry into a nursing home. This number represents the maximum number of people who could seek diversion placements if the cap were removed.

Third, the actual number of diversion slots will be affected by county capacity to conduct assessments and develop care plans for individuals. Conducting these functions involves several hours of county staff time per person. Staff capacity to perform these functions is limited and will vary from county to county. The Department estimates that counties would have the staff capacity to develop 400 to 600 nursing home diversion placements per year.

Because institutional care is generally more costly than home and community-based care, the program could still be cost neutral even if some placements do not result in true diversions. Based on actual MA costs of individuals diverted in CY 06 under this program, if 56% or more of placements are true diversions, then the diversion program would be cost neutral. This percentage assumes net daily CIP II and MA Card costs of \$58.25 per day, compared to net institutional costs of \$105.21 per day. The community care plan costs are based on CY 06 actual costs for diversion placements, adjusted to reflect projected increases in

care plan costs after two years in the program.

Based on the above factors, assuming 500 placements per year, the maximum cost for this bill would be \$10,659,750 AF (\$4,521,866 GPR), if none of the placements result in true diversions.

However, if 280 or more of the placements did result in true diversions, the bill would not increase costs to the Medicaid program. Since it is not possible to identify whether an individual would have entered the nursing home in the absence of the placement, the Department cannot determine the exact fiscal effect for this bill.

This bill could also impact revenues to the MA program for placements that result in actual diversions to nursing homes. If such diversions result in an overall decrease in nursing home utilization, and nursing homes respond by de-licensing beds, nursing home bed assessment revenues will decline. Decreases in patient days in county or municipal homes could also reduce revenues in the certified public expenditure program.

Long-Range Fiscal Implications