



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #385

Nursing Home Rates and Bed Assessment Increase (DHFS -- Medical Assistance -- Long-Term Care)

[LFB 2005-07 Budget Summary: Page 250, #1 and Page 521, #5]

CURRENT LAW

Assessment. The nursing home bed assessment was created as part of 1991 Wisconsin Act 269 as a means to support medical assistance (MA) nursing home rate increases that took effect in 1991-92. Under current law, nursing facilities are required to pay a \$75 monthly assessment per licensed bed, while intermediate care facilities for the mentally retarded (ICFs-MR) are required to pay a \$445 monthly assessment per licensed bed.

Nursing homes collect revenue from the monthly assessment from private pay residents and forward it, together with the amount of the bed assessment attributable to MA-supported residents and unoccupied licensed beds, to DHFS. Under current law, any revenues collected from the assessment in excess of \$13,800,000 in 2004-05 is deposited to the MA trust fund and, beginning in 2005-06, any revenues collected in excess of 45% of the total revenue collected would be deposited to the MA trust fund. The remaining revenues are deposited in the general fund. Under the method DHFS uses to reimburse nursing homes for the cost of caring for MA recipients, most nursing homes are paid back more than 100% of the revenue from the bed assessment that is attributable to MA recipients. Consequently, the costs of the current nursing home bed assessment are borne primarily by private pay nursing home residents, and to a much lesser degree, nursing facilities with low occupancy rates.

Under federal law, provider taxes must be: (a) broad-based; (b) applied uniformly to classes of providers; and (c) in compliance with hold-harmless prohibitions, in order to be eligible for federal matching funds. If a provider tax does not meet the standards established in rule for being "broad-based" or "uniformly imposed," a state may seek a waiver from these requirements. However, if a state applies for such a waiver, it must demonstrate that the net

effect of the tax and associated expenditures is redistributive in nature, the amount of the tax is not directly correlated with MA payments, and the tax does not violate hold harmless provisions.

In 2003-04, the nursing facility bed assessment generated approximately \$48.6 million in revenues -- \$14.3 million of which was deposited to the general fund and \$34.3 million of which was deposited to the MA trust fund. This amount of state funding, if budgeted to support MA benefits, would generate approximately \$64.2 million in federal matching funds.

MA Reimbursement to Nursing Homes. The MA program reimburses nursing facilities for care they provide to MA recipients based on facility-specific per diem rates, which are based on patient levels of care and categories of expenditures. DHFS updates these rates annually. DHFS considers four cost centers when develops facility-specific nursing home rates, including: (1) direct care; (2) support services; (3) property tax and municipal services; and (4) property.

GOVERNOR

Provide \$38,021,600 (-\$7,401,000 GPR, \$21,724,000 FED, \$436,800 PR, and \$23,261,800 SEG) in 2005-06 and \$50,829,100 (-\$7,622,600 GPR, \$28,667,700 FED, \$867,900 PR, and \$28,916,100 SEG) in 2006-07 to reflect the net effect of increasing the nursing home bed assessment and budgeting these additional revenues, together with federal MA matching funds, to: (a) increase MA rates paid to nursing homes; (b) reimburse facilities, through higher MA payments, for their costs in paying the increased assessments; and (c) substitute GPR MA base funding with SEG funding from a portion of the additional revenues DHFS would receive from the assessment increase.

Funding Changes

Revenue Effect. Increase estimates of revenue that would be deposited to the MA trust fund by \$25,609,100 in 2005-06 and by \$26,568,900 in 2006-07.

Nursing Home Rate Increase. Provide \$11,975,600 (\$5,053,700 SEG and \$6,921,900 FED) in 2005-06 and \$23,392,300 (\$9,969,800 SEG and \$13,422,500 FED) in 2006-07 to increase nursing home rates by approximately 1.4% in 2005-06 and by an additional 1.4% in 2006-07.

Pay Back Facilities for Assessment Increase. Provide \$25,609,200 (\$10,807,100 SEG and \$14,802,100 FED) in 2005-06 and \$26,568,900 (\$11,323,700 SEG and \$15,245,200 FED) in 2006-07 to increase reimbursement to facilities, to offset the additional costs they would incur to pay the assessments that would not be paid by private-pay residents.

Increase Funding for State Centers. Provide \$436,800 PR in 2005-06 and \$867,900 PR in 2006-07 to increase funding for the state centers for the developmentally disabled to pay the proposed increase in the bed assessment.

Substitute GPR MA Base Funding with SEG Funding. Reduce MA base funding by \$7,401,000 GPR and increase MA base funding by \$7,401,000 SEG in 2005-06 and reduce MA base funding by \$7,622,600 GPR and increase MA base funding by \$7,622,600 SEG in 2006-07 to apply approximately half of the additional revenue that would result by increasing the bed assessment to reduce GPR-funded MA benefits costs.

Statutory Changes

Increase Bed Assessment Revenue. Increase the current assessment on all licensed beds of nursing homes and facilities from \$75 per month to \$125 per month and on ICFs-MR from \$445 per month to \$523 per month in 2005-06 and to \$587 per month in 2006-07.

Deposit Assessment Revenue to the MA Trust Fund. Provide that all revenue collected from the assessment in excess of \$13,800,000, in each fiscal year, would be deposited to the MA trust fund.

All of these provisions would first apply on the general effective date of this bill. The revenue estimates assume that DHFS will collect the increased assessment amounts beginning in July, 2005.

Veterans Affairs

Provide \$462,600 in 2005-06 and \$552,600 in 2006-07 to the Department of Veterans Affairs to fund the Governor's proposed \$50 increase in the monthly nursing home bed assessment on all licensed beds at the Wisconsin Veterans Homes at King and Union Grove.

DISCUSSION POINTS

Bed Assessment

1. The Governor proposes to increase the current nursing home and ICF-MR bed assessments and to fund rate increases for nursing homes in the 2005-07 biennium. The proposed increase in the assessment provides the means to increase MA payments to nursing homes without increasing GPR funding. By increasing the nursing home bed assessment, the bill would also reduce GPR base funding for MA benefits by approximately \$7.4 million in 2005-06 and by \$7.6 million in 2006-07.

2. Provisions in 2003 Wisconsin Act 33, increased the nursing home bed assessment from \$32 per month to \$75 per month, and increased the ICF-MR assessment from \$100 per month to \$435 per month in 2003-04 and to \$445 per month in 2004-05. The following table identifies the nursing home and ICF-MR bed assessment rates and annual increases from 2002-03 thru 2006-07, as proposed by the administration.

**Nursing Home Bed Assessment Rates and Annual Percentage Increases
2002-03 through 2006-07**

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	AB 100 <u>2006-07</u>	<u>2002-03 to 2006-07</u>
Nursing Homes	\$32	\$75	\$75	\$125	\$125	291%
ICFs-MR	100	435	445	523	587	487
						<u>Average Annual</u>
Nursing Homes		134%	0.0%	66.7%	0.0%	50%
ICFs-MR		335	2.0	18.0	12.0	92

The table shows that, from 2002-03 thru 2006-07, the nursing home bed assessment would increase 291% and the ICF-MR bed assessment would increase 487% under the administration's proposal.

3. The increase in the bed assessment permits the state to collect additional federal matching funds to the extent that these revenues are expended on MA allowable costs. In 2003-04, the increase in the bed assessment generated an additional \$34.3 million in segregated revenues and \$48.2 million in associated federal matching funds. If the Governor's recommended bed assessment rates are approved, the increase in assessment revenues is projected to generate an additional \$33.5 million in 2005-06 and in 2006-07 in federal matching funds. The following table identifies projected nursing home bed assessment revenues and the associated federal matching funds for each year of the 2005-07 biennium, based on the Governor's recommended increase in the bed assessment.

**Projected Nursing Home Bed Assessment Revenue Increases
and Associated Federal Matching Funds
(\$ in Millions)**

	<u>2005-06</u>	<u>2006-07</u>
Segregated Revenues	\$24.4	\$24.8
Federal Matching Funds	<u>33.5</u>	<u>33.5</u>
Total	\$57.9	\$58.3

4. Increases in the nursing home bed assessment adversely affect private-pay residents and nursing facilities that operate facilities with licensed, unoccupied beds. Since facilities are likely to add the amount of the bed assessment increase (\$50 per month for nursing homes and up to

\$142 per month for ICFs-MR) to the bills paid by private-pay residents, private pay nursing home residents' out-of-pocket costs would increase by approximately \$600 per year and private pay ICF-MR residents' out-of-pocket costs would increase by \$1,704 per year. Approximately 22% of nursing home residents are private-pay residents (8,000), while 1% of ICF-MR residents are private pay residents (12).

5. It could also be argued that private-pay residents already subsidize the cost of care for MA-supported nursing home residents because nursing homes that do not fully recover their costs of serving MA recipients may recover some or all of these losses by requiring private-pay residents to pay more than they otherwise would if the facilities received greater reimbursement under MA. The degree to which cost shifting occurs within individual facilities or throughout the industry is not known. However, the difference between MA rates and private-pay rates suggests that cost shifting is prevalent within the industry. For instance, in Wisconsin Nursing Homes and Residents (2003), the DHFS Bureau of Health Information indicates that, as of December 31, 2003, the average MA payment for skilled nursing care was \$120 per day, compared to the average private-pay rate of \$168 per day.

6. A facility's ability to shift MA costs to private-pay residents also depends largely on the percentage of private-pay residents in the facility. From 1999 to 2003, the percentage of private-pay residents in nursing facilities declined from approximately 23.9% to 22.5% of the total nursing facility population. Therefore, industry-wide, it has become slightly more difficult for facilities to shift the costs of providing care to MA-eligible residents to private-pay residents.

7. Private-pay residents may indirectly benefit from the proposed increase in the bed assessment to the extent that raising MA provider reimbursements would result in less staff turnover, higher quality of care, and less cost-shifting to private-pay residents. However, the correlation between higher MA reimbursement rates and these indirect benefits has not been quantified.

Rate Increase

8. The administration and the industry argue that it is necessary to increase rates paid to nursing homes because: (a) current MA per diem rates are below most facilities' actual costs of caring for MA recipients; (b) nursing facilities' costs continue to increase; and (c) the percentage of all nursing home residents who are private-pay residents has decreased.

9. On average, nursing homes are reimbursed for approximately 86.9% of their MA-allowable costs when the intergovernmental transfer formula is applied to nursing home cost reports for 2004. In comparison, 18.0% of nursing homes were fully reimbursed for their MA-allowable costs in 2004. Since MA is the primary revenue source for the industry, MA reimbursement rates for nursing homes have a considerable effect on the financial stability of nursing homes. In 2003, approximately 64% of all nursing home residents were supported primarily by MA.

10. From 2002 through October, 2004, seven nursing homes in Wisconsin closed, while

eight nursing homes filed for bankruptcy. Three more nursing homes are expected to close by the end of 2004-05. Furthermore, closures in recent years have been concentrated in certain areas so that access to nursing facilities may become a problem in future years. Seven of the nursing homes that closed were in Milwaukee County, while one of the nursing home that closed since October was located in Brown County. The two nursing homes that are anticipated to close are also in Brown County.

11. Since the rate increases supported by the bed assessment would only apply to MA-occupied beds, facilities with disproportionately low percentages of MA-supported residents would benefit less from the proposed increase in the bed assessment than facilities with large percentages of MA-supported residents. The lower a facility's percentage of MA-eligible residents, the less the facility would benefit from the rate increase. As of February, 2005, approximately four facilities served only private-pay residents and therefore, do not benefit from MA reimbursements funded, in part, by the nursing home bed assessment.

12. The costs of providing care in nursing facilities continues to increase, and will likely increase at a greater rate than the Governor's proposed 1.4% annual rate increase. A number of nursing facility representatives that testified at the Joint Finance Committee hearings requested an annual rate increase ranging from 2.8% to 3.1% to support their increasing costs of care. If the MA reimbursement rate is not sufficient to support increasing costs of skilled nursing facility care, then the amount of cost shifting to private-pay residents could increase.

13. The nursing home industry would argue that all of the additional revenues generated by the nursing home bed assessment increase and the federal matching funds should be budgeted to support MA nursing home payments. The administration's proposal would budget approximately 71% of the projected increase in segregated revenues under this bill to support payments to nursing homes (\$37.2 million), and 29% to replace GPR funding in MA benefits expenditures (\$15.0 million). When the federal matching funds on these assessment revenues are included, the Governor's proposal budgets approximately \$37.6 million in 2005-06 and \$50.0 million in 2006-07 in nursing home rate increases and paybacks to facilities, or 71% of the total projected increase in segregated revenues and associated federal matching funds.

14. If the Committee chooses to budget the projected increase in nursing home bed assessment revenues, as well as the associated federal matching funds, entirely for rate increases and paybacks to nursing homes, the funding in the bill would need to be increased as indicated in Alternative A3. This additional investment would support a rate increase of approximately 2.6% annually.

15. The total amount of funding that is provided to nursing homes through rate increases or paybacks to facilities would affect the amount of nursing home intergovernmental transfer (IGT) revenues that the state could claim. Under the nursing home IGT program, beginning in 2005-06, DHFS will make IGT claims based on the certified MA losses of nursing homes. If nursing homes, in general, are reimbursed more for providing care to MA-eligible residents, then nursing homes' total operating deficits should be lower than would be the case if no rate increase or paybacks to

facilities were approved. This reduction in certified MA losses in nursing homes means that DHFS will be able to claim less in federal IGT revenues. However, the administration's estimates of nursing home IGT revenues under AB 100 currently assume that an annual rate increase of at least 1.4% would be approved by the Legislature.

16. 2003 Wisconsin Act 33 included provisions that were intended to limit the placement of individuals with developmental disabilities in ICFs-MR and nursing homes. As part of this initiative, beginning in calendar year 2005, DHFS allotted funding to counties that equaled the MA fee-for-service costs for institutional services to individuals with developmental disabilities in ICFs-MR and nursing homes. Counties may use this funding to either provide institutional care or provide community-based care under the CIP IB program. These allotments are budgeted at approximately \$98.8 million (\$41.7 million GPR and \$57.1 million FED) in 2005-06.

At the time these provisions were approved, DHFS indicated that these allotments would be increased in the future by an amount equal to any rate increase provided to the nursing home industry. For this reason, the Governor's recommendations and all of the options offered in this paper include funding to support an increase in these county allocations. Without supporting an equal increase in the ICF-MR allocations, counties would be required to absorb all of the increased costs of providing care to these residents.

17. Alternative A1 represents a modification to the Governor's recommendations to reflect reestimates of: (a) the projected number of licensed nursing home and ICF-MR beds; (b) program revenue authority that would be required to permit the veterans homes and the state centers to pay the increase in the bed assessment; (c) the costs of paying back nursing homes and ICFs-MR to offset the additional costs they would incur to pay the increased assessments; (d) the annual rate increase percentage that could be supported given the reestimate of bed assessment revenues; (e) total funding approved by the Committee to support reimbursements to nursing homes under the medical assistance base reestimate item (Paper #360); and (f) the federal financial participation rates.

18. A reestimate of the fiscal effect of increasing the nursing home bed assessment to the levels recommended by the Governor indicates that approximately \$24,430,500 in 2005-06 and \$24,810,100 in 2006-07 in additional revenues would be generated as a result of the proposed increase in the bed assessment. This represents a decrease of \$1,178,600 SEG-REV in 2005-06 and \$1,758,800 SEG-REV in 2006-07, compared to the administration's projections. Since the Committee cannot expend more segregated revenues than would be generated under this proposal, SEG expenditures are reduced by a corresponding amount over 2005-07. It is estimated that this would provide sufficient funding to support a 1.2% annual increase for nursing home rates. The following table compares the projected revenues and expenditures under the administration's estimates and under the reestimate.

Comparison of Projected Revenues and Expenditures*
AB 100 and Reestimates
(\$ in Millions)

	2005-06				2006-07			
	<u>GPR</u>	<u>SEG</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>SEG</u>	<u>FED</u>	<u>Total</u>
<i>AB 100</i>								
Available Revenues	\$0.0	\$25.6	\$0.0	\$25.6	\$0.0	\$26.6	\$0.0	\$26.6
Nursing Home Rate Increase (1.4% annually)	0.0	5.1	6.9	12.0	0.0	10.0	13.4	23.4
Substitute GPR MA Base Funding with SEG Funding	-7.4	7.4	0.0	0.0	-7.6	7.6	0.0	0.0
Payback Facilities for Assessment Increase	<u>0.0</u>	<u>10.8</u>	<u>14.8</u>	<u>25.6</u>	<u>0.0</u>	<u>11.3</u>	<u>15.2</u>	<u>26.5</u>
	-\$7.4	\$23.3	\$21.7	\$37.6	-\$7.6	\$28.9	\$28.6	\$49.9
<i>Reestimate</i>								
Available Revenues	\$0.0	\$24.4	\$0.0	\$24.4	\$0.0	\$24.8	\$0.0	\$24.8
Nursing Home Rate Increase (1.2% annually)	0.0	4.4	6.0	10.4	0.0	9.0	12.1	21.1
Substitute GPR MA Base Funding with SEG Funding	-7.4	7.4	0.0	0.0	-7.6	7.6	0.0	0.0
Payback Facilities for Assessment Increase	<u>0.0</u>	<u>10.3</u>	<u>14.1</u>	<u>24.4</u>	<u>0.0</u>	<u>10.5</u>	<u>14.3</u>	<u>24.8</u>
	-\$7.4	\$22.1	\$20.1	\$34.8	-\$7.6	\$27.1	\$26.4	\$45.9

*Excludes PR authority

19. Attachment 1 presents options the Committee could consider if it wishes to retain the Governor's recommended nursing home bed assessment increases, but modify the rate increases recommended by the Governor. For example, if the Committee wished to provide a 1% rate increase in each year and retain the Governor's recommended nursing home bed assessment increases, it could delete approximately \$4.4 million (all funds) in 2005-06 and approximately \$8.2 million (all funds) in 2006-07 from the bill. Though not shown in the attachment, these options would affect PR funding for the state centers and the veterans homes.

20. Finally, the Committee could delete the Governor's recommendation to increase the nursing home bed assessment and instead fund the state's share of nursing home rate increases with GPR, rather than assessment revenue. Attachment 2 identifies the fiscal effect of deleting the Governor's recommendations and supporting a selected annual rate increase. Under these options, all of the PR authority that would be provided for the state centers and the veterans homes to pay the increased assessments would be deleted.

Treatment of Bed Assessment Revenues

21. If the Committee does not approve any changes to current law with respect to the treatment of the bed tax revenues, 45% of the total revenues collected will be deposited in the general fund. The Governor's proposal would deposit \$13,800,000 of the bed assessment revenues annually in the general fund. These provisions were offered to attempt to hold the general fund harmless when changes were made to the bed assessment rates.

22. In recent years, concerns have been raised about states' practice of depositing health care provider assessment revenues in appropriations that, at least in part, support non-MA expenditures. When provider assessment revenues are deposited in the general fund, it is not clear to the Centers for Medicare and Medicaid Services (CMS) how much of those revenues are being used to support MA allowable services. Further, the segregated revenues in the MA trust fund are treated like general fund revenues, but differ in that they are only used to support MA and BadgerCare benefits.

23. In 2005-07, all of the segregated revenues in the MA trust fund will be expended to support MA and BadgerCare benefits. For the most part, general fund revenues will support that state's share of the remaining MA and BadgerCare expenditures. It is not clear why a portion of the bed assessment revenues should continue to be deposited in the general fund. To ensure that all revenue generated by the bed assessment is used to support MA benefits costs and to hold the general fund harmless, the Committee could modify the bill by: (a) specifying that all nursing home bed assessment revenue be deposited to the MA trust fund (\$13,800,000 SEG-REV and -\$13,800,000 GPR REV annually); and (b) budgeting this revenue to replace a corresponding amount of GPR base funding for MA benefits costs (\$13,800,000 SEG and -\$13,800,000 GPR annually).

ALTERNATIVES

A. Bed Assessment and Nursing Home Rate Increase

1. Modify the Governor's recommendations by reducing funding in the bill by \$2,790,300 (-\$1,148,300 SEG, -\$1,558,300 FED and -\$83,700 PR) in 2005-06 and reducing funding in the bill by \$4,083,600 (-\$1,789,100 SEG, -\$2,303,700 FED, and \$9,200 PR) in 2006-07 to reflect a reestimate of the Governor's proposal. In addition, reduce estimates of revenue to the MA trust fund by \$1,178,600 in 2005-06 and \$1,758,800 in 2006-07.

Alternative A1	SEG-REV	FED	PR	SEG	TOTAL
2005-07 REVENUE (Change to Bill)	- \$2,937,400	\$0	\$0		- \$2,937,400
2005-07 FUNDING (Change to Bill)		- \$3,861,900	- \$74,500	- \$2,937,300	- \$6,873,700

2. Adopt any of the alternatives in the Attachment 1, which include the Governor's recommended increases in nursing home bed assessments.

3. Modify the Governor's recommendations by increasing funding in the bill by \$9,398,800 (\$7,401,000 GPR, -\$3,407,600 SEG, \$5,489,100 FED, and -\$83,700 PR) in 2005-06 and by \$19,155,800 (\$7,662,600 GPR, \$470,300 SEG, \$11,053,700 FED, and \$9,200 PR) in 2006-07 to budget the entire projected increase in bed assessment revenues to support rate increases and paybacks to nursing homes.

<u>Alternative A3</u>	<u>SEG-REV</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	- \$2,937,400	\$0	\$0	\$0		- \$2,937,400
2005-07 FUNDING (Change to Bill)		\$15,023,600	\$16,542,900	- \$74,500	- \$2,937,400	\$28,554,600

4. Delete the Governor's provisions relating to the bed assessment and nursing home rate increase.

<u>Alternative A4</u>	<u>SEG-REV</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	- \$52,178,000	\$0	\$0	\$0		- \$52,178,000
2005-07 FUNDING (Change to Bill)		\$15,023,600	- \$50,391,700	- \$1,304,700	- \$52,177,900	- \$88,850,700

5. Adopt any of the alternatives in Attachment 2, which would fund rate increases for nursing homes without increasing the nursing home bed assessment.

B. Treatment of Bed Assessment Revenue

1. Approve the Governor's recommendations to deposit any revenues in excess of \$13,800,000 annually in the MA trust fund.

2. Modify the bill to specify that all of the revenue from the bed assessment would be deposited to the MA trust fund, beginning in 2005-06. In addition: (a) reduce MA benefits funding by \$13,800,000 GPR annually and increase MA benefits funding by \$13,800,000 SEG annually; and (b) reduce estimates of general fund revenues by \$13,800,000 GPR annually and increase estimates of revenues deposited to the MA trust fund by \$13,800,000 SEG annually.

<u>Alternative B2</u>	<u>GPR-REV</u>	<u>SEG-REV</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	- \$27,600,000	\$27,600,000			\$0
2005-07 FUNDING (Change to Bill)			- \$27,600,000	\$27,600,000	\$0

3. If the Committee adopts the Governor's recommendations (as reestimated), or any of the alternatives described above, then take no action, so that 45% of the total bed assessment revenues collected would be deposited in the general fund, while the excess would be deposited in the MA trust fund.

<u>Alternative B3</u>	<u>GPR-REV</u>	<u>SEG-REV</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	\$31,449,600	- \$31,449,600			\$0
2005-07 FUNDING (Change to Bill)			\$31,449,600	- \$31,449,600	\$0

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 Attachments

ATTACHMENT 1

**Alternative Rate Increase Options
Change to Bill Expenditures*
With Governor's Recommended Bed Assessment Increase**

<u>Annual Rate Increase</u>	2005-06					2006-07				
	<u>GPR</u>	<u>SEG</u>	<u>FED</u>	<u>Total</u>		<u>GPR</u>	<u>SEG</u>	<u>FED</u>	<u>Total</u>	
1.0%	-\$734,500	-\$1,148,300	-\$2,565,100	-\$4,447,900		-\$1,741,800	-\$1,789,100	-\$4,658,000	-\$8,188,900	
1.4%	734,500	-1,148,300	-551,500	-965,300		1,163,400	-1,789,100	-731,100	-1,356,800	
2.8%	5,876,200	-1,148,300	6,495,900	11,223,800		11,422,000	-1,789,100	13,135,500	22,768,400	
3.0%	6,610,700	-1,148,300	7,502,700	12,965,100		12,899,000	-1,789,100	15,131,900	26,241,800	
3.1%	6,978,000	-1,148,300	8,006,100	13,835,800		13,638,600	-1,789,100	16,131,600	27,981,100	

*Excludes PR authority

ATTACHMENT 2

Alternative Rate Increase Options Change to Bill Expenditures* Without Governor's Recommended Bed Assessment Increase

Annual Rate Increase	2005-06			2006-07		
	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>
1.0%	\$3,672,600	\$5,033,900	\$8,706,500	\$7,212,800	\$9,749,500	\$16,962,300
1.3%	4,774,400	6,544,000	11,318,400	9,390,600	12,693,200	22,083,800
1.4%	5,141,700	7,047,400	12,189,100	10,118,000	13,676,400	23,794,400
2.8%	10,283,300	14,094,800	24,378,100	20,376,600	27,543,000	47,919,600
3.0%	11,017,800	15,101,600	26,119,400	21,853,600	29,539,400	51,393,000
3.1%	11,385,100	15,605,000	26,990,100	22,593,200	30,539,100	53,132,300

*Excludes PR authority