

Fiscal Estimate Narratives

DHFS 11/13/01

LRB Number	01-3584/1	Introduction Number	SB-287	Estimate Type	Original
Subject					
Medical assistance supplements for Milwaukee central city nursing homes					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a supplemental grant for nursing homes in the City of Milwaukee that meet the following conditions: patient occupancy is at least 80% of the licensed bed capacity, Medical Assistance (MA) eligible residents and residents dually eligible for MA and Medicare comprise more than 90% of the nursing home residents, a religious organization does not provide operating support to the nursing home, 75% of the nursing home employees are of a minority group, and the nursing home is Medicare certified. This bill would provide \$1,558,000 GPR in the MA benefits appropriation, 20.435 (4)(b) in each fiscal year 2001-2002 and 2002-2003 for the supplement. This bill assumes that the Department of Health and Family Services (DHFS) would claim federal matching funds for the supplemental payments provided to eligible nursing homes.

The fiscal effect of this bill is comprised of an increase in state GPR costs for providing supplemental MA payments to nursing homes and a loss of Intergovernmental Transfer (IGT) revenue due to those increased MA payments. This bill also creates additional administrative costs for the Department of Health and Family Services (DHFS) by requiring DHFS to verify nursing homes' eligibility for a supplement. However, DHFS can absorb these additional administrative costs.

The estimated increase in state costs for providing an MA supplement to eligible nursing homes is \$1,558,000 GPR based on MA utilization of nursing homes that would currently be eligible for the supplement. This cost may increase or decrease over time as the daily MA patients (i.e. census) and number of eligible homes changes. Daily MA census in eligible homes determines the amount of the home's supplemental payment. As the percent of MA recipients in an eligible home above the minimum threshold of 90% increases or decreases, the amount of the nursing home's supplement increases or decreases, respectively. In addition as the number of nursing homes eligible for the supplement changes, the total cost of providing the supplement will also change. Homes with a percentage of MA recipients slightly below the threshold of 90% could increase their MA census above 90%, increasing the supplement's cost. Homes below the 90% threshold may try to increase their MA census in order to qualify for the supplement. An increase in the overall ratio of MA recipients per nursing home in Milwaukee could also cause more nursing homes to become eligible for the supplement. On the other hand, some eligible homes could close and additional homes might not become eligible, resulting in a decreased cost. DHFS has been notified by many of the nursing homes that would currently be eligible for the supplement of their possible closure.

The loss of IGT revenue due to this bill could total \$2,950,000. This loss would be a one time loss incurred in SFY 02 and in the first quarter of SFY 03, depending on the interpretation of IGT regulations as they apply to Wisconsin. A loss in IGT revenue would occur because the supplemental MA payment would limit the amount of the state's IGT claim. The state claims IGT reimbursement from the Department of Health and Human Services (DHHS) in an amount that may not exceed the federal share of the difference between the state's total MA payments to nursing homes and the Medicare Upper Limit (MUL). A supplement to nursing homes would decrease the difference between the state's total MA payments to nursing homes and the MUL thereby decreasing the amount of the IGT claim. If supplemental payments are made in the amount of \$1,558,000 GPR annually (\$3,777,000 AF in SFY 02 and \$3,751,100 AF in SFY 03), the state could lose up to \$2,219,000 in SFY 02 and \$731,000 in the first quarter of SFY 03 in IGT revenue, for a total one time loss of IGT revenue of \$2,950,000.

Thus this bill's fiscal effect is, for SFY 02, a total cost to the state of \$3,777,000 comprised of the annual cost of the MA supplement, \$1,558,000 GPR, and a one time cost of \$2,219,000 in lost IGT revenue. For SFY 03 the fiscal effect is a total cost to the state of \$2,289,000 comprised of the annual cost of the MA supplement, \$1,558,000 GPR, and a one time cost of \$731,000 in lost IGT revenue. Ongoing annual costs for this bill are \$1,558,000 GPR.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Medical assistance supplements for Milwaukee central city nursing homes			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
This bill results in a one time loss of state IGT revenue for the Medicaid Trust Fund of up to \$2,219,000 in SFY 02 and \$731,000 in SFY 03, for a total one time state loss of IGT revenue of \$2,950,000. Combined with the annual GPR cost of \$1,558,000, the total cost/revenue loss of this bill would be \$3,777,000 in FY 02 and \$2,289,000 in FY 03, for a total cost in fiscal years 2001-2002 and 2002-2003 of \$6,066,000.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations	3,751,100		
TOTAL State Costs by Category	\$3,751,100		\$
B. State Costs by Source of Funds			
GPR	1,558,000		
FED	2,193,100		
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$
GPR Earned			
FED	2,193,100		
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$2,193,100		\$
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$3,751,100		\$
NET CHANGE IN REVENUE	\$2,193,100		\$
Agency/Prepared By		Authorized Signature	Date

