

Fiscal Estimate - 2003 Session

Original Updated Corrected Supplemental

LRB Number 03-3344/2	Introduction Number AB-592
Subject Eliminate cap on supplemental Medical Assistance payments to county and municipal nursing homes	
Fiscal Effect	
State:	
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate	
<input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
<input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local:	
<input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate	
5. Types of Local Government Units Affected	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
<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 type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.435 (4) (b), (4) (w)	
Affected Ch. 20 Appropriations	
Agency/Prepared By	Authorized Signature
DHFS/ Anne Miller (608) 266-5422	Fredi Ellen Bove (608) 266-2907
	Date
	10/28/2003

Fiscal Estimate Narratives

DHFS 10/29/2003

LRB Number	03-3344/2	Introduction Number	AB-592	Estimate Type	Original
Subject					
Eliminate cap on supplemental Medical Assistance payments to county and municipal nursing homes					

Assumptions Used in Arriving at Fiscal Estimate

The 2003 Biennial Budget Act (Act 33) reduced supplemental MA payments to county-owned nursing homes from \$77.1 million to \$37.1 million annually in FY 04 and FY 05. Also, Act 33 included anticipated revenues to the MA trust fund from three initiatives involving intergovernmental transfers (IGT) from counties to the state to fund supplemental MA payments that would generate additional federal matching funds. The three initiatives and budgeted revenue gains are:

1. Nursing Home \$37,861,200 (FY 04) \$33,195,200 (FY 05)
2. Local Government \$53,783,400 (FY 04) \$29,596,400 (FY 05)
3. HCB Waiver \$222,929,100 (FY 04) \$0 (FY 05)

Total All Initiatives \$314,573,700 (FY 04) \$62,791,600 (FY 05)

Because of changes in Medicare rates for nursing homes, it is possible that the expected revenue from the nursing home transfer will be higher than the amount budgeted under Act 33. However, it is uncertain that the total IGT-related federal revenues budgeted under Act 33 will be obtained due to federal government concerns about these approaches.

This bill modifies provisions relating to supplemental payments to county-owned nursing homes and the use of IGT revenues. The provisions are different for the FY 03-05 biennium and for FY 06 and thereafter. In the current biennium, the Bill would create the potential for higher supplemental payments to county-owned nursing homes depending on the total of actual SEG revenues compared to the amounts anticipated (or budgeted) under Act 33. If actual revenues are higher than budgeted revenues, the Department would be required to use those excess revenues to increase the county-owned nursing home supplement, up to the total deficits of these homes. The most likely reading of the Bill is that the comparison of SEG revenues involves all three initiatives (nursing home, Local Government and HCB Waiver).

Beginning in the FY 06 fiscal year, the bill would require that all SEG revenues related to the transfer of funds from Sheboygan, Rock and Walworth Counties would be used as supplemental payments to county-owned nursing homes, up to the total amount of deficits for these homes. As currently drafted, the SEG revenues would include any revenues from any transfers relating to the Local Government and HCB Waiver initiatives as well as the nursing home transfer.

In the current biennium, it is unlikely that the bill would result in higher supplemental payments to county-owned nursing homes since it appears unlikely that both the Local Government and the HCB Waiver initiatives will be approved by CMS.

In FY 06 and thereafter, it is likely that the bill would require that additional SEG revenues be used for county supplemental payments. In FY 05, approximately \$15.4 million of SEG revenues will be used to fund the supplemental payment of \$37.1 million to county-owned nursing homes. However, the nursing home IGT is anticipated to generate approximately \$63 million of SEG revenues, which is a difference of \$47.6 million that will be used to fund the state share of other MA costs. If this bill is enacted, it is unlikely that there would be any excess SEG revenues to be used for other MA payments besides the supplemental payment to county-owned nursing homes. This is for two reasons. First, projected deficits for county-owned nursing homes total \$115 million in FY 04, so that payments higher than the current \$37.1 million would be allowed under the bill. Also, as supplemental payments are increased to county-owned nursing homes, SEG revenues will be reduced by 59% of the increase in payments to county-owned homes since SEG revenues are proportionate to the gap between what Medicare would pay county-owned nursing homes and what Medicaid actually pays. As Medicaid

payments are increased to the county-owned nursing homes, the gap (and SEG revenues based on the gap) is reduced.

It is difficult to project with a high degree of accuracy the amount of SEG revenues from the nursing home transfer since it will depend on changes in patient days and Medicare and Medicaid rate increases. However, under expected trends, the amount of SEG revenues in FY 06 would be approximately \$42 million. Under current law county supplemental payment would use \$15.4 million of these SEG revenues in FY 06, leaving \$26.6 million for support of other MA expenditures. Under this bill, the county supplemental payment would increase to an estimated \$63.6 million all funds in FY 06, which would reduce SEG revenues to \$26.5 million, all of which would be used for the county supplemental payments. Compared to current law, \$26.6 million GPR would be needed to replace the loss of SEG revenues from the nursing home transfer.

The estimates in the previous paragraph are based on the assumption that there are no SEG revenues from the Local Government and HBC Waiver initiatives and that the nursing home transfer is implemented with the same three counties (Sheboygan, Rock and Walworth Counties) as was done in FY 2003. If the Local Government and/or HBC Waiver initiatives were approved by CMS, the increase in county supplemental payments would be higher in FY 06. If the Department implemented the nursing home transfer with other counties (which is allowed in the MA State Plan), the increase in county supplemental payments would be less in FY 06.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Eliminate cap on supplemental Medical Assistance payments to county and municipal nursing homes			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
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	11,100,000		
TOTAL State Costs by Category	\$11,100,000		\$
B. State Costs by Source of Funds			
GPR	11,100,000		
FED			
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			
PRO/PRS			
SEG/SEG-S			-15,500,000
TOTAL State Revenues	\$		-\$15,500,000
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$11,100,000		\$
NET CHANGE IN REVENUE	-\$15,500,000		\$
Agency/Prepared By		Authorized Signature	Date
DHFS/ Anne Miller (608) 266-5422		Fredi Ellen Bove (608) 266-2907	10/28/2003