

Fiscal Estimate Narratives

DHFS 10/22/2007

LRB Number	07-0808/1	Introduction Number	AB-0493	Estimate Type	Original
Description The care and treatment of persons with Alzheimer's disease or related dementia in residential care facilities, providing an exemption from emergency rule procedures, and requiring the exercise of rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

Summary:

The bill requires the Department of Health and Family Services (DHFS) to establish care and treatment standards for people with Alzheimer's and related dementia. These standards would be established for nursing homes, community based residential facilities (CBRFs), adult family homes (AFHs), residential care apartment complexes (RCACs), and hospices, which "hold themselves out as providing special services for persons with Alzheimer's disease or related dementia." There are forfeitures associated with violations of the promulgated rules.

Fiscal Effect:

The Department estimates that there are 919 facilities in the above provider types (i.e., 119 adult family homes, 610 CBRFs, 122 nursing homes and 68 hospices) which currently serve clients with Alzheimer's disease or related dementia. In preparing the fiscal estimate, the Department assumes that all 919 providers would continue providing Alzheimer's and dementia services under the newly promulgated standards (i.e., rules).

The estimate does not include any costs associated with RCACs because it is assumed that no RCACs would apply to be licensed to provide Alzheimer's or related dementia care. Under HFS 89.29, RCACs are not allowed to admit persons who have a court determination of incompetence and subject to guardianship; who have an activated power of attorney or have been found to be incapable of recognizing danger, summoning assistance, or expressing need or making care decisions. While there are exceptions to these prohibitions, it is assumed that most individuals with Alzheimer's or related dementia are not residing in RCACs and therefore few, if any, RCACs would be subject to the proposed rules.

First Year Costs

a) The Department estimates that staff will spend approximately 742 hours developing the proposed rule(s) and holding hearings around the state at a cost of \$33,147 (\$22,669 of salary and \$10,478 of fringe). The Department plans to absorb the cost of developing and promulgating the rule(s).

b) Once the rule(s) are promulgated, the Department assumes that an 8 hour on-site inspection consistent with the new rule(s) would be conducted by Department staff for all 919 facilities during the first year following promulgation of the rule(s). The Department estimates that it would take 7,352 (i.e., 8 x 919) staff hours to complete the on-site inspections. Although the rules are intended to only apply those facilities which "hold themselves out as providing special services for persons with Alzheimer's disease or related dementia," the Department is unable to determine how many of the 919 facilities "hold themselves out as providing these special services."

All five provider types named in the proposed legislation are currently licensed and regulated by the Division of Quality Assurance (DQA) in DHFS. DQA would be unable to absorb the estimated workload associated with the first year on-site inspections. The Department estimates that 3.5 limited term employment (LTE) positions (7,352 hours / 2,080 FTE equivalent hours) would be required to complete on-site inspections of all 919 providers at an estimated cost of \$174,470 (GPR). This figure was calculated as follows: licensing inspections of CBRFs and AFH are conducted by health service specialists and those of nursing homes and hospices are conducted by nursing consultants. The average of an entry level salary for the two positions (\$20.503) was used to calculate the salary costs of \$149,261 (3.5 FTE * \$20.50 average hourly salary * 2,080 hours) and fringe costs of \$11,419 (\$149,261 of salary * 0.0765 fringe rate). In addition, \$3,940 would be required for each position for supplies and services (e.g., phone, computer costs, etc.) for a total of \$13,790. The total one-time costs are estimated to be \$174,470 (GPR).

It should be noted that the work of these positions would not be eligible for federal reimbursement under

Medicare/Medicaid as the functions of these positions are not allowable as Medicaid/Medicaid activities.

Continuing Annual Costs

a) Periodic review of existing facilities -

Once the existing facilities have been inspected, the Department assumes that an additional 2 hours of staff review time will need to be added to the regular licensing review for each of 550 facilities (i.e., every 2 years for 610 CBRFs (305 per year) and 119 AFHs (60 per year) and every 12 months for 122 nursing homes and 68 hospices) for a total of 1,110 hours (2 x 550). The calculations assume no growth in the number of these facilities.

b) On-site inspection of new facilities -

Assuming that turnover among providers each year equals 3% of the existing number of AFHs, CBRFs and hospices, the Department estimates there will be 24 new facilities (i.e., new AFHs, CBRFs, or hospices) each year subject to the rule(s) proposed under this bill. The Department assumes no new nursing home facilities. In addition, it is assumed that each year the number of new providers will be offset by the same number of existing providers leaving the industry for zero growth. The 24 new providers will be subject to an 8 hour on-site inspection for a total of 192 hours.

c) Complaint Investigations -

The Department assumes that Department staff will be used to receive and investigate complaints in approximately 5% of the existing facilities. On average each complaint will take 8 hours to resolve for a total of 368 hours of DQA staff time (919 facilities * 0.05 rate of complaints x 8 hours to investigate).

The total hours associated with the three on-going functions for licensing and enforcing standards of care for providers covered under this proposed bill for Alzheimer's and related dementia care total 1,688 hours (1,100 hours of annual desk review for existing providers + 192 hours of on-site inspection for new providers + 368 hours of complaint investigations). The additional work effort associated with these functions would require a .80 FTE (1,688 hours / 2,080 hours). DQA would be unable to absorb this workload. The Department estimates the cost of a new 0.80 FTE position to be \$53,626 (AF). Typically, existing licensing inspections of CBRFs and AFH are conducted by health service specialists and those of nursing homes and hospices are conducted by nursing consultants. The average of an entry level salary for the two positions (\$20,503) was used to calculate the salary costs of \$34,117 (0.8 FTE * \$20,503 average hourly salary * 2,080 hours) and fringe costs of \$15,769 (\$34,117 of salary * 0.4622 fringe rate). In addition, \$3,740 would be required for the position for supplies and services (e.g., phone, computer costs, etc.). The total annual costs for funding this new position would be \$53,626 (AF) (i.e., \$34,117 salary + \$15,769 fringe + \$3,740 supplies and services).

It should be noted that the work of this positions would not be eligible for federal reimbursement under Medicare as the functions of this positions are not allowable as Medicare activities. However, many of the facilities providing these services do so under the various Medicaid waiver programs approved by CMS, which serve elders and people with disabilities, including those with Alzheimer's disease or related dementia. Inspecting these facilities for compliance under the proposed rule(s) appears to benefit the Medicaid program, and therefore, the Department would likely be able to claim federal Medicaid funds to partially cover some of the costs of these inspections. Assuming that all of the work of the .8 FTE qualifies for re-imburement under the Medicaid program, the position could be split funded at a rate of 37% federal funding / 63% of state funding, or \$19,842 FED and \$33,784 GPR.

Long-Range Fiscal Implications

None

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description The care and treatment of persons with Alzheimer's disease or related dementia in residential care facilities, providing an exemption from emergency rule procedures, and requiring the exercise of rule-making authority			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
The total one-time costs are estimated to be \$174,470 (GPR).			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$49,886	\$
	(FTE Position Changes)	(0.8 FTE)	
	State Operations - Other Costs	3,740	
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$53,626	\$
B. State Costs by Source of Funds			
	GPR	33,784	
	FED	19,842	
	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		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$53,626	\$
	NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		Authorized Signature	Date
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