

(Return in triplicate)

FISCAL NOTE

Bill/Resolution No.: House Bill No. 1602 Amendment to: _____

Requested by: Legislative Council Date of Receipt: 1/28/87

Please estimate the fiscal impact of the above measure for:

State general or special funds Counties Cities

In the following space note the fiscal effect in dollars of this measure:

Narrative:

SEE ATTACHED SHEETS

FEB 10 1987

State Fiscal Effect:

<u>1987-88</u>		<u>1988-89</u>		<u>Biennium Total</u>	
<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>	<u>Special Funds</u>	<u>General Fund</u>

County and City Fiscal Effect:

<u>1987-88</u>		<u>1988-89</u>		<u>Biennium Total</u>	
<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>

If additional space is needed, attach a supplemental sheet.

Signed *Mike Schwindt*

Typed Name MIKE SCHWINDT

Date Prepared: 2/9/87

Department HUMAN SERVICES

We analyzed 66 unaudited cost reports for 1986 and, assuming there were no significant changes in the 1987-1989 biennium, projected the fiscal impact of certain parts of HB 1602. Other sections cannot be estimated because we do not have data upon which to base an estimate. Our analysis by section is as follows:

- 1) The elimination of depreciation recapture requirements (Section 8(3)(a)(1), page 1, line 6) and interest limit restrictions (Section 7(3), page 7, line 17) would result in increased costs, depending on the number and price of facilities sold and/or refinanced. One facility currently subject to limitations would be able to increase the asset value by \$348,291 and include the higher amount in the rate calculations in future periods.
- 2) The "Consumer Price Index" is unspecified. A 1% change in inflation is estimated at \$2,366,238, including federal funds of \$1,526,933, state funds of \$729,511 and \$109,794 in county funds for the 1987-1989 biennium (Section 1(3), page 1, line 22).
- 3) The total impact of redefining "related party" (Section 1(14), page 2, line 34) cannot be estimated at this time. We project a cost of \$854,055 impact for interest and rent (Section 7(3)(b), page 8, line 5, and Section 8(3)(c)(5)(c)(1), page 14, line 5).
- 4) We are unsure of the interpretation for Section 3 (page 4, line 3); consequently, we cannot adequately assess the fiscal impact. The Federal Government requires that payments through the Medical Assistance Program to be payment in full. Section 3, page 4, line 8 appears to require state payments for items determined to be unallowable by the Federal Government. If this interpretation is correct and it is intended that payment be made for items deemed

"unallowable" by the Federal Government, such payment would jeopardize the provider's continued participation as a Medicaid provider. Medicaid payments can only include allowable costs by state and/or federal definition. Payments must be considered as "payment in full" by providers. Anything paid in addition would be considered a supplemental payment, which is prohibited by federal regulations. The federal share of the \$106.9 million requested for reimbursing nursing homes in SB 2015 is \$68.9 million. We have no reliable means of calculating the total general fund or county fund impact for costs determined to be unallowable by the Federal Government, but the payment would be 85% state funds and 15% county funds.

- 5) The fiscal impact resulting from adjusting current limits are projected as follows:
 - a) Administrator compensation (Section 8(2), page 10, line 24)..... \$112,862
 - b) Occupancy limit reduced to 85% (Section 11(1)(a), page 17, line 30)..... \$374,273
- 6) The potential impact from revaluations of assets is contingent upon the sale of facilities (Section 8(3)(c)(5), page 13, line 12).
- 7) The methodology for calculating "return on investment" (Section 8(3)(c)(5)(c)(3), page 14, line 29 would be changed and we lack data to reasonably project the impact.
- 8) Section 11(1)(c), page 18, line 11) mandates a rate of not less than 110% of the average cost in each category in each classification of facility. The section also requires full utilization of the

appropriation. Since we do not control the amount appropriated for nursing home care, we cannot reasonably anticipate total program costs.

- 9) The bill eliminates the current policy of not charging Medicaid patients more than charged to private pay patients. Based on December, 1986, data, this elimination could increase costs by as much as \$257,647 in the 1987-1989 biennium.