

FISCAL NOTE
Requested by Legislative Council
01/21/2013

Bill/Resolution No.: HB 1384

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$8,362,579		\$11,637,403
Expenditures	\$0	\$0	\$9,320,505	\$8,362,579	\$12,786,814	\$11,637,403
Appropriations	\$0	\$0	\$9,320,505	\$8,362,579	\$12,786,814	\$11,637,403

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1384 adds up to a \$750 employee housing allowance as an allowable "Fringe Benefit" and directs the Department to include in its rate setting system a mechanism to recognize the subsidized cost of real and personal property used to provide the fringe benefit for both Nursing Homes and Basic Care.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 instructs the Department to include in the rate setting system for nursing homes a payment mechanism to recognize as an allowable cost the subsidized cost of real and personal property, used to provide employee housing as a fringe benefit. Section 3 instructs the Department to include employee housing allowances or the subsidized cost of operating employee housing as an allowable expense when establishing payment rates for a basic care facility. Although there is no restriction on any facilities within the bill we have restricted our estimate to those Facilities west of Hwy 83 and specifically excluded Bismarck and Mandan facilities. If facilities in Bismarck, Mandan, or East of Hwy 83 would choose to offer this fringe benefit the numbers above would be impacted significantly. Expenditures for the 13-15 biennium include the increase over 18 months for nursing facilities and 24 months for basic care facilities due to the effective date of rate changes. The total estimated cost for the 13-15 biennium is \$17,683,084 and of which \$9,320,505 would be from the General Fund. The costs for the 15-17 biennium are estimated at 24,424,217, of which \$12,786,814 would be general fund. The amounts above also include one additional FTE for Provider Audit to ensure compliance with federal and state regulations. As Nursing Facilities have equalized rates this change would also impact private payers of nursing facility care. The Department estimates private pay individuals would see an increase of \$12,640,446 in the 13-15 biennium and \$17,996,262 in the 15-17 biennium. Medicaid must demonstrate compliance with an annual Upper Payment Limit(UPL) for Nursing Homes, Intermediate Care Facilities, Psychiatric Residential Treatment Facilities and Hospitals (inpatient and outpatient) based on provider ownership. The UPL categories are private, state government and non-state government operated facilities. A combination of provider rate enhancements increases the likelihood of exceeding the UPL. If the Upper Payment Limit is exceeded, federal Medicaid funding is not available for expenditures for rates that exceed the limit. In order to retain federal Medicaid funding for any portion of the rate, the rates must be reduced to comply with the UPL. ND Medicaid cannot make a separate general fund payment to facilities to make up the difference between the established rate based on legislative appropriation and an adjusted rate which has been reduced to comply with the UPL (Note: for Nursing Homes, due to the equalized rates, if the UPL is met, the rates for both Medicaid and private pay would be reduced to comply with the UPL.)

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The increase in revenues in each biennium is the additional federal funding the state will receive due to the increased expenditure relating to allowable expenditures.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The costs paid by Medicaid for nursing home and basic care facilities are estimated to increase by \$17,683,084 in the 11-13 biennium, of which \$9,320,505 would be from the general fund. The costs for the 15-17 biennium are estimated at \$24,424,217, of which \$12,786,814 would be general fund. This includes the salary and operating costs for one Provider Audit FTE in the amount of \$125,603 per biennium, of which \$65,100 would be general fund.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The Department will need an appropriation increase of \$17,683,084 in 13-15 biennium, of which \$9,320,505 would be from the General Fund and \$8,362,579 would be from federal funds. The Department will need an appropriation increase of \$24,424,217 in 15-17 biennium, of which \$12,786,814 would be from the General Fund and \$11,637,403 would be from federal funds.

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