

HF3039 - 0 - "Nursing Facility Moratorium Exception"

Chief Author: **Joe Schomacker**
 Committee: **Health and Human Services Finance**
 Date Completed: **03/29/2016**
 Lead Agency: **Human Services Dept**
 Other Agencies: **Health Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept					
General Fund	-	-	-	23	92
State Total					
General Fund	-	-	-	23	92
Total	-	-	-	23	92
Biennial Total			-		115

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept					
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Lead Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Travis Bunch Date: 03/29/2016
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State Cost (Savings) Calculation Details

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*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept						
General Fund		-	-	-	23	92
Total		-	-	-	23	92
Biennial Total				-		115
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Human Services Dept						
General Fund		-	-	-	23	92
Total		-	-	-	23	92
Biennial Total				-		115
2 - Revenues, Transfers In*						
Human Services Dept						
General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

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Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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Biennial Total			-			-
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Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill provides \$1 million for the nursing facility moratorium exception process so that additional projects may be considered in the competitive process.

Assumptions

Since 1983, there has been a moratorium on the addition of licensed nursing facility beds in Minnesota and a competitive process to renovate existing nursing facilities that exceed a dollar threshold and involve state Medicaid dollars. The project moratorium statute outlines a process in which the MDH reviews projects submitted by nursing facilities after a Moratorium Review Committee has reviewed them. The criteria used to evaluate the projects include comfort and quality of life for nursing facility residents and long term effect of project on state costs.

The MDH Health Regulation Division manages this process jointly with the Minnesota Department of Human Services (DHS). MDH already receives \$9,516 in on-going State General Fund money to administer the competitive process. The \$1 million in this bill is the money that will be granted via DHS and its Medicaid rates process. The \$1 million is the same amount that this process received in the previous fiscal year. As a result, providing \$1 million for nursing home moratorium exception funding does not generate additional costs or revenues for the Department.

Expenditure and/or Revenue Formula

None.

Long-Term Fiscal Considerations

None.

Local Fiscal Impact

None.

References/Sources

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Biennial Total						115

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill allows the Commissioner of Health to approve nursing facility moratorium projects under Minnesota Statutes, section 144A.073 for which the state share of annualized Medical Assistance costs does not exceed \$1 million in state fiscal year 2017.

Assumptions

This proposal can be implemented within the existing administrative resources of the Department of Human Services.

The effective date of this bill is July 1, 2016.

Minnesota's first fiscal year related to this bill ends on June 30, 2017.

There is a 30 day payment delay.

The bill is stated in terms of state share of MA, so this fiscal note starts with that assumption. The state share of costs/savings is determined by amounts paid by other governmental units:

- The base federal share is estimated to be approximately 50% of the total, with a small amount of payments eligible for higher federal rates;
- The county share is estimated to be 1.17%;
- The state share is the total cost minus the federal share and county share.

The proposal begins the funding in FY17, which ends on June 30, 2017. There will not be enough time to conduct a round of the moratorium exception process before June 30, 2017; therefore that money will carry-over to FY18.

Expenditure and/or Revenue Formula

The department has reviewed prior rounds of the moratorium exception process and found that when an amount is authorized by the legislature, it takes some time before actual spending of the money occurs. It takes time to obtain

proposals for a round of the process and decide which proposals will move forward. After a facility learns that their proposal was selected, they begin the process of making construction contracts, getting permits, and finalizing construction plans. At that point, they are ready to start physical plant construction. The rate adjustment does not begin until construction is complete, which can take a year-and-a-half or more. The percentages of the authorized spending used in this analysis are:

- 0% of the appropriated amount in the first fiscal year following the appropriation (FY 17)
- 5% of the appropriated amount in the second fiscal year following the appropriation (FY 18)
- 20% of the appropriated amount in the third fiscal year following the appropriation (FY 19)
- 45% of the appropriated amount in the fourth fiscal year following the appropriation (FY 20)

Because the language proposed is codified in 144A.073, and specifies that the commissioner may approve moratorium exception projects under this section for which the full annualized state share of medical assistance costs does not exceed \$1,000,000. The \$1,000,000 authority is inclusive of any carryover allowed in 144A.073 Subd 11. \$540,000 is expected to be available as carryover from previous legislative authority for the moratorium. Therefore, the allowed additional authority in this bill is for \$460,000 after the carryforward. If the author wishes to authorize an authority for \$1,000,000 in addition to the carryover, the bill language will need to be amended. The numbers below are calculated by multiplying \$460,000 by the percent noted above:

- FY 17 \$460,000* 0 = \$0
- FY 18 \$460,000*.05 = \$23,000
- FY 19 \$460,000*.20= \$92,000

This is state share only. The overall available funds with federal and county share would be \$942,000.

		Less carry forward	
State	1,000,000	540,000	460,000
County			11,022
Federal			471,022
Grand Total			942,044

Total annual cost/(savings)	FY 2017	FY 2018	FY 2019
Cost / (savings) change	-	47	188
Factor to balance MA days to forecast	100.00%	100.00%	100.00%
MA occupancy factor	100.00%	100.00%	100.00%
Adjusted costs	-	47	188
Federal share	-	24	94
State budget	-	23	92
County share	-	1	2

Total annual cost/(savings)	FY 2017	FY 2018	FY 2019
Total	-	48	188
MA Grants (state budget) BACT 33 LF	\$ -	\$ 23	\$ 92
Administrative Costs	\$ -	\$ -	\$ -
Total Costs/(Savings)	\$ -	\$ 23	\$ 92

Fiscal Summary (\$000s)						
Description	Fund	BACT	FY2016	FY2017	FY2018	FY2019
MA Grant - LF	GF	33	0	0	23	92
Total Net Fiscal Impact			0	0	23	92
Full Time Equivalents			0	0	0	0

Long-Term Fiscal Considerations

This bill provides for additional spending every year indefinitely.

Local Fiscal Impact

There is a county share associated with this bill. The county share for this bill is \$1,000 beginning in Fiscal Year 2018.

References/Sources

DHS historical records related to completion of approved moratorium projects.

HF3039 as introduced

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