

**HF1115 - 2A - "Modify Specialized Care Facilities Prov"**

Chief Author: **Joe Schomacker**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **03/21/2017**  
 Agency: **Human Services 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)<br>Dollars in Thousands | Biennium |          |            | Biennium     |              |
|--|----------|----------|------------|--------------|--------------|
|  | FY2017   | FY2018   | FY2019     | FY2020       | FY2021       |
| General Fund                                 | -        | -        | 690        | 1,382        | 1,386        |
| <b>Total</b>                                 | <b>-</b> | <b>-</b> | <b>690</b> | <b>1,382</b> | <b>1,386</b> |
| <b>Biennial Total</b>                        |          |          | <b>690</b> |              | <b>2,768</b> |

| Full Time Equivalent Positions (FTE) | Biennium |          |          | Biennium |          |
|--------------------------------------|----------|----------|----------|----------|----------|
|                                      | FY2017   | FY2018   | FY2019   | FY2020   | FY2021   |
| General Fund                         | -        | -        | -        | -        | -        |
| <b>Total</b>                         | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |

**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: 3/21/2017 7:55:13 PM  
 Phone: 651 201-8038      Email: travis.bunch@state.mn.us

**State Cost (Savings) Calculation Details**

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

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

| <b>State Cost (Savings) = 1-2</b>                        |   | Biennium |        |            | Biennium     |              |
|--|---|----------|--------|------------|--------------|--------------|
| Dollars in Thousands                                     |   | FY2017   | FY2018 | FY2019     | FY2020       | FY2021       |
| General Fund   | - | -        | -      | 690        | 1,382        | 1,386        |
| <b>Total</b>   |   | -        | -      | <b>690</b> | <b>1,382</b> | <b>1,386</b> |
| <b>Biennial Total</b>                                    |   |          |        |            | <b>690</b>   | <b>2,768</b> |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |   |          |        |            |              |              |
| General Fund   | - | -        | -      | 690        | 1,382        | 1,386        |
| <b>Total</b>   |   | -        | -      | <b>690</b> | <b>1,382</b> | <b>1,386</b> |
| <b>Biennial Total</b>                                    |   |          |        |            | <b>690</b>   | <b>2,768</b> |
| <b>2 - Revenues, Transfers In*</b>                       |   |          |        |            |              |              |
| General Fund   | - | -        | -      | -          | -            | -            |
| <b>Total</b>   |   | -        | -      | -          | -            | -            |
| <b>Biennial Total</b>                                    |   |          |        |            | -            | -            |

**Bill Description**

This proposal with the A-2 amendment modifies swing bed license conditions, the specialized care facility provision, and the criteria used to determine when a hardship exists with regard to access to nursing facility services.

**Section 1:** This section makes changes to licensure requirements pertaining to hospital swing beds which is regulated by the Department of Health. This section does not have an impact on DHS.

**Section 2:** Amends the existing nursing facility bed moratorium exception hardship provision by adding a new criteria that MDH and DHS must consider when determining if a hardship exists in regards to accessing nursing facility services. This new criteria addresses access issues for a specific population who meet specific diagnoses requirements and require nursing facility level of care.

**Section 3:** Amends the existing specialized care facility rate exception provision by providing a 100% increase to the care-related limit for up to 50 beds statewide that are in specific specialized care facilities or unit(s) of facilities. This section adds and defines a new type of specialized care nursing facility/unit of a facility, allows for an associated interim rate increase, and, requires a rate settle-up when the interim rate period is over. This section also places certain support requirements upon hospitals that discharge patients to this new type of specialized care nursing facility.

**Assumptions**

The Nursing Facility Rates and Policy Division used the following assumptions and computations to approximate the fiscal impact of this bill. After estimating the annual fiscal impact of this bill, the department adjusts that amount to determine the State Budget impact by using the following assumptions:

- The rate year for nursing facilities begins on January 1, but bills may have different effective dates.
- There is a 30 day payment delay (payment for NF services lags the provision of services by one month.)
- The state share of costs/savings is determined by amounts paid by other governmental units:
- The effective date of this proposal is July 1, 2017.
- This bill can be implemented by existing administrative resources of the Department.
- The increase in cost per resident day for the 50 beds newly designated as specialized care beds is estimated to be \$155.28.
- A hardship RFI (request for information), to identify possible hardship areas would not be published until August 2017 and if there are responses to the RFI and the state determines that a hardship area exists, a request for proposal (RFP) will be published to select interested providers. By the time that RFP is complete, it would be the end of SFY 2018. The redesign and construction of a facility may take a year. Assumption due to this timing lag is that it would be unlikely that

the state would incur any costs related to this proposal before SFY 2019.

- All 50 newly designated specialized care beds will not be immediately available; existing facilities may need to be remodeled and/or new units may need to be built for this purpose. For this reason a phase-in was assumed; 50% utilization during the first year of facility(ies) operations (FY 2019).
- 95% occupancy is assumed for all years after the first year.
- All beds will be utilized by Medicaid recipients.

**Expenditure and/or Revenue Formula**

|  | Rate Year 18 | Rate Year 19 | Rate year 20 | Rate Year 21 |
|--|--------------|--------------|--------------|--------------|
| Metro median total care-related payment rate limit (taken from the 1/1/17 rate notices)  | 127          | 127          | 128          | 128          |
| Assumed quality multiplier   | 1.3          | 1.3          | 1.3          | 1.3          |
| Allowed increase in care-related limit   | 165          | 165          | 166          | 166          |
| Estimated number of specialized care beds utilized (provision allows for up to 50 beds)  | 50           | 50           | 50           | 50           |
| Number of days in a year   | 366          | 366          | 366          | 366          |
| Estimated number of annual resident days in these specialized care NF beds   | 18,275       | 18,275       | 18,275       | 18,275       |
| Annual total cost per full year  | 3,013,639    | 3,022,786    | 3,031,932    | 3,041,079    |
|  |              | <u>FY19</u>  | <u>FY20</u>  | <u>FY21</u>  |
| Convert from Rate Year to Fiscal Year + 1 month Payment Delay  |              | 3,017,450    | 3,026,597    | 3,035,743    |
| All 50 beds will not be utilized immediately; it will take time to remodel/repurpose existing NFs or build new units to serve this population; this # reflects an assumed phase-in |              | 1,511,393    | 3,026,597    | 3,035,743    |

| End of the state's fiscal year             |                |                | 6/30/2019      |                |
|--|----------------|----------------|----------------|----------------|
| <b>Total annual cost/(savings)</b>         | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> |
| Cost / (savings) change                    | \$ -           | \$ 1,511       | \$ 3,027       | \$ 3,036       |
|  | 0.0000%        | 0.0000%        | 0.0000%        | 0.0000%        |
| Factor to balance MA days to forecast      | 100.00%        | 100.00%        | 100.00%        | 100.00%        |
| MA occupancy factor                        | 95.00%         | 95.00%         | 95.00%         | 95%            |
| Adjusted costs                             | \$ -           | \$ 1,436       | \$ 2,875       | \$ 2,884       |
| Federal share                              | \$ -           | \$ 730         | \$ 1,461       | \$ 1,466       |
| State budget                               | \$ -           | \$ 690         | \$ 1,382       | \$ 1,386       |
| County share                               | \$ -           | \$ 16          | \$ 32          | \$ 32          |
| MA Grants (state budget) <b>BACT 33 LF</b> | \$ -           | \$ 690         | \$ 1,382       | \$ 1,386       |
| Administrative Costs                       | \$ -           | \$ -           | \$ -           | -              |
| Total Costs/(Savings)                      | \$ -           | \$ 690         | \$ 1,382       | \$ 1,386       |

| Fiscal Tracking Summary (\$000's) |      |             |        |        |        |        |
|-----------------------------------|------|-------------|--------|--------|--------|--------|
| Fund                              | BACT | Description | FY2018 | FY2019 | FY2020 | FY2021 |

|    |       |   |   |            |              |              |
|----|-------|---|---|------------|--------------|--------------|
| GF | 33-LF | MA NF rate limit increase for specialized care facilities | 0 | 690        | 1,382        | 1,386        |
|    |       |   |   |            |              |              |
|    |       |   |   |            |              |              |
|    |       |   |   |            |              |              |
|    |       | <b>Total Net Fiscal Impact</b>                            |   | <b>690</b> | <b>1,382</b> | <b>1,386</b> |
|    |       | <b>Full Time Equivalents</b>                              | 0 | 0          | 0            | 0            |

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

There is a county share associated with this bill; approximately \$16,000 in 2019 and \$32,000 in the following years.

**References/Sources**

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Don Allen

**Phone:** 651 431-2932

**Date:** 3/21/2017 11:49:19 AM

**Email:** Don.Allen@state.mn.us