LEGISLATIVE SERVICES AGENCY

Serving the Iowa Legislature

Fiscal Note

Fiscal Services Division

SF 422 – Nursing Facility Assessment (LSB2100SV)
Analyst: Jess Benson (Phone: 515-281-4611) (jess.benson@legis.state.ia.us)
Fiscal Note Version – New

Description

Senate File 422 imposes a quality assurance assessment (tax) on nursing facilities for each patient day. This assessment would be applied to all for-profit and nonprofit private nursing facilities, but not to State nursing facilities. Revenue received from the assessment is to be deposited in the Quality Assurance Trust Fund under the authority of the Department of Human Services (DHS). The money in the Fund is to be used to provide a supplemental payment, matched with federal financial participation, to nursing facilities. This payment, to the extent possible, is intended to offset the cost of the assessment to nursing facilities.

The DHS is directed to submit certain requests to the Center for Medicare and Medicaid Services (CMS) by June 30, 2009, unless the DHS, upon consultation with the Governor, determines the requests would adversely affect the existing IowaCare Waiver. The requests include:

- An amendment to the IowaCare waiver eliminating the provision that prohibits a provider tax.
- A uniform tax requirement waiver to allow various levels of taxation to be imposed.
- A State Plan Amendment to the nursing facility reimbursement methodology to allow the Medicaid to reimburse nursing facilities for the Medicaid portion of the assessment.

The quality assurance assessment is contingent on the following:

- Approval of all requests submitted to CMS.
- An appropriation by the General Assembly to provide the nursing facility supplemental payments.

Assumptions

- The analysis assumes an assessment rate of 3.0%.
- The assessment would generate $33.0 million in revenue.
- The State would use approximately $19.6 million of the revenue as follows:
  - $5.5 million for a reimbursement to offset the cost of assessment to nursing facilities, to the extent possible (pass-through). This payment will be matched with $12.5 million of federal funds for a total pass-through of $18.0 million.
  - $14.1 million for a $10 per bed-day rate add-on. Both of these payments would be matched by new federal financial participation. This payment would be matched with $32.1 million of federal funds for a total add-on of $46.2 million.
- Most nursing facilities will experience a net gain from this Bill because the additional Medicaid payments will be more than the assessment paid. However, facilities with a low percentage of Medicaid bed-days will experience a net loss because the Medicaid payments received will not be enough to offset the assessment on non-Medicaid bed-day revenue.

- With the assessment dependent on approval by CMS, it is uncertain when it would take effect.
- The State share of the Federal Medical Assistance Percentage (FMAP) for FY 2010 is projected to be 30.51%. This includes the FMAP adjustment in the American Recovery and Reinvestment Act of 2009

Fiscal Impact

The quality assurance assessment, if implemented, is estimated to generate revenue of $33.0 million annually to the Quality Assurance Trust Fund beginning in FY 2010. The State portion of the nursing facility reimbursements to be paid from the Fund is estimated at $19.6 million. This results in a net gain to the Fund of $13.4 million.

The assessment and corresponding reimbursement payments will generate additional federal funds for Iowa as explained in the Assumptions. See details in the chart below.

Quality Assurance Assessment

Revenue:	State	Federal	Total
Quality Assurance Assessment (3.0%)	$ 33,037,159	$ 0	$ 33,037,159
Expenditures:			
Pass-Through	$ 5,509,795	$ 11,429,530	$ 16,939,325
Add-On ($10 per bed day)	14,089,912	29,228,138	43,318,050
Total Expenditures	$ 19,599,707	$ 40,657,668	$ 60,257,375
Net Gain	$ 13,437,452	$ -40,657,668	$ -27,220,216

Source

Department of Human Services

March 24, 2009

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the correctional and minority impact statements were prepared pursuant to **Section 2.56**, Code of Iowa. Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.