



**LEGISLATIVE
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To: Senator Robert Dvorsky and Representative Jo Oldson, Co-chairpersons, Fiscal Committee; Senator Steve Kettering, Ranking Member, Senate Appropriations Committee; Representative Scott Raecker, Ranking Member, House Appropriations Committee; and Senator Jack Hatch and Representative Lisa Heddens, Co-chairpersons, and Senator David Johnson and Representative Dave Heaton, Ranking Members, Joint Health and Human Services Appropriations Subcommittee

From: Holly Lyons, ^{HL}Division Director, Fiscal Services Division, and Richard Johnson, ^{RT}Division Director, Legal Services Division

RE: Quality Assurance Trust Fund Appropriation—Corrective Action

ASSESSMENT COLLECTION AND DEPOSIT IN TRUST FUND

The Nursing Facility Quality Assurance Program, enacted in 2009 Iowa Acts, Chapter 160, and codified in Iowa Code Chapter 249L, provides for the collection of a quality assurance assessment from specified nursing facilities in the state. The moneys collected are to be deposited into the Quality Assurance Trust Fund to be used, subject to their appropriation, to provide nursing facility medical assistance reimbursement rate adjustment increases including a pass-through amount, a rate add-on amount, and payments for rebasing. Moneys in the fund may only be used for reimbursement of services for which federal financial participation under the medical assistance program is available to match state funds. The Program was subject to approval by the federal Centers for Medicare and Medicaid Services, and approval was received on March 16, 2010. Contingency provisions in the legislation provided that the assessment would begin to accrue beginning on the first day of the calendar quarter following the date of approval, but that the assessment could not be collected until federal approval was received and the General Assembly provided an appropriation to implement the specified reimbursements.

FAILURE TO APPROPRIATE PASS-THROUGH AND ADD-ON MONEYS

Rate restoration funding appropriated. During the 2010 Session of the General Assembly, much of the discussion involving nursing facilities focused on restoring rates affected by Executive Order Number 19 issued October 8, 2009. In order to cover the costs of restoring these rates, moneys were appropriated from the Quality Assurance Trust Fund, subject to federal approval of the Program, for nursing facility rate restoration for SFY 2010 (\$2.3 million) and for SFY 2011 (\$7.5 million), and to supplement the medical assistance appropriation for nursing facility reimbursement for SFY 2011 (\$6.4 million).

Pass-through and add-on funding not appropriated. Even though rate restoration funding was appropriated from the Quality Assurance Trust Fund, no appropriation was specifically made from the Trust Fund for either the pass-through or add-on amounts, which total approximately \$4.4 million in SFY 2010 and approximately \$19.0 million in SFY 2011. Even in the absence of such appropriation, however, sufficient funds will accrue in the Trust Fund from assessments collected during the respective time periods to cover the intended SFY 2010 and SFY 2011 appropriations.

PROPOSED CORRECTIVE ACTION

In order to rectify this failure to specifically appropriate the assessments to be collected and deposited into the Trust Fund, it is proposed that the Department of Human Services utilize existing SFY 2010 and SFY 2011 medical assistance appropriation funding to cover the expenditures for the pass-through and add-on payments for SFY 2010 and SFY 2011, until such time as the General Assembly is able to take corrective action during the 2011 Session. The suggested corrective action would appropriate moneys from the Quality Assurance Trust Fund to the medical assistance appropriation in an amount sufficient to both restore the medical assistance appropriation in the amount expended for the pass-through and the add-on payments for the period through the effective date of the corrective action, and to cover expenditures for such payments going forward for the remainder of SFY 2011.

INTERIM MEASURES

During the 2010 Interim of the General Assembly, the Iowa Medicaid Enterprise will notify affected nursing facilities about the issue and the proposed corrective actions. If you have questions, please contact Patty Funaro (ext. 13040) or Jess Benson (ext.14611).

cc: Senate and House Leadership and staff