F I S C A L I M P A C T R E P O R T

SPONSOR Altamirano **ORIGINAL DATE** 02/03/06 **LAST UPDATED** **HB**

SHORT TITLE CERTAIN MEDICAID REIMBURSEMENT RATES **SB** 663

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	$3,200.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates HB 704, SB 734
Duplicates HB 779

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
	$8,200.0	$10,000.0	Recurring	Federal Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Bill 663 appropriates $3.2 million from the general fund to the Human Services Department for the purpose of adjusting for inflation Medicaid rates paid to intermediate care facilities for the mentally retarded. The new provider rates each year shall equal the previous year's rate plus the current market basket index inflation adjustment as determined by the federal centers for Medicare and Medicaid services. In years when the reimbursement rate is re-based, the market basket index shall be used to index each provider's operating costs to a common point of December 31 for the base year and then indexed to a midpoint of the rate year to adjust for inflation.

The funds are appropriated as follows:

- two million two hundred thousand dollars ($2,200,000) to increase the Medicaid reimbursement rate for licensed nursing facilities and licensed intermediate care facilities for the mentally retarded, and
- one million dollars ($1,000,000) to restore funding lost due to reductions in the Medicaid reimbursement rate made in fiscal years 2005 and 2006 to licensed nursing homes and licensed intermediate care facilities for the mentally retarded.

FISCAL IMPLICATIONS

The appropriation of $3.2 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY07 shall revert to the general fund.

SIGNIFICANT ISSUES

HSD indicates that the $3.2 million would create a rate increase for FY07 that would in effect become part of the facilities' rates by the end of FY08. When those rates are rebased for FY08, the normal rebasing increase for future rates would be augmented because the rate rebasing process would have to take into account the increase from FY07 as well as any other costs associated with the facilities' operation. This increase would, therefore, compound the increase associated with the FY08 automatic rebasing. HSD estimates the FY08 general fund requirement would jump to $3.9 million.

POSSIBLE QUESTIONS

Many medical providers are affected by the relatively low Medicaid reimbursement rates yet only this one provider group is offered relief. Should more providers be included?

MW/nt