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## FISCAL IMPACT REPORT

SPONSOR: Heaton DATE TYPED: 02/13/03 HB 550

SHORT TITLE: Statewide Nursing Facility Support SB \_\_\_\_\_

ANALYST: Weber

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$3,250.0			Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	\$9,750.0		Recurring	Federal Funds

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Responses Received From  
 Human Services Department  
 Department of health

### SUMMARY

#### Synopsis of Bill

House Bill 550 appropriates \$3.25 million to the Human Services Department (HSD) from the General Fund for the purpose of recruitment, retention, and salary enhancement of direct care providers in licensed nursing homes. Direct care providers are registered nurses, licensed practical nurses, and certified nursing assistants.

Significant Issues

The Department of Health indicates HB 550 addresses critical nursing home staff shortages. The NM nursing consortium has estimated shortages ranging from 12–18% for RNs, LPNs and Nursing Assistants. According to the New Mexico Nursing Home Association, the \$3.25 million appropriation would allow for average salary increases of approximately \$2 per hour.

The only way Medicaid could pass this funding along to the intended facilities is through a proportional rate adjustment. There is currently no way through the required cost reporting to determine whether or not these additional funds were actually used by the facilities for their intended purposes.

**FISCAL IMPLICATIONS**

The appropriation of \$3.25 million contained in this bill is a recurring expense to the General fund. Any unexpended or unencumbered balance remaining at the end of Fiscal Year 2004 shall revert to the General Fund. When matched with federal funds, the entire funds available are \$13 million.

**ADMINISTRATIVE IMPLICATIONS**

HB 550 would mandate that HSD "ensure that all money appropriated shall be used only for the purposes authorized". Consequently, HSD would be legally required to monitor how the funds are being used by the licensed nursing facilities and, essentially, guarantee that the funds are being used as intended. If HSD were unable to perform this oversight function and ensure that the funds are being used appropriately, HSD would be in violation of state law. An additional appropriation may be necessary to provide this oversight function.

**OTHER SUBSTANTIVE ISSUES**

For FY04 nursing facilities will receive a projected increase of 2.7%, or almost \$4.5 million for Medicaid. This is a Centers for Medicaid and Medicare (CMS) acceptable increase based on the Market Basket Index (MBI). It would not appear there are other mechanisms available to provide funds to private nursing facilities except through the Medicaid program. These additional funds would need to be incorporated into an alternate annual inflation factor that is approved by CMS rather than using the current MBI. Also, there are no provisions to determine what portion of the funds are to go for each purpose; recruitment, retention and salary enhancement. The bill specifically prohibits use for administrative purposes and must be spent only for direct care providers as defined above. However, the recruitment purpose is typically an administrative function not performed by direct care providers.

MW/njw:pr