

Department of Legislative Services  
 Maryland General Assembly  
 2000 Session

FISCAL NOTE  
 Revised

Senate Bill 690 (Senator Hollinger. *et al.*)  
 (Task Force on Quality of Care in Nursing Homes)

Finance

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Nursing Homes - Quality Assurance

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This bill requires each nursing home: (1) develop and implement a quality assurance program by January 1, 2001; (2) designate a qualified individual to coordinate and manage the quality assurance program by September 1, 2000; (3) establish a quality assurance committee which will prepare monthly reports that must be presented to the ombudsman, residents' council, and the family council; and (4) establish a written quality assurance plan that includes procedures for "concurrent review" for all residents and provides criteria that routinely monitors nursing care. The quality assurance plan must also include methods to identify and correct problems as well as be readily available to nursing home residents and their families. The quality assurance plan must be submitted to the Department of Health and Mental Hygiene (DHMH) by January 1, 2001, and at the time of license renewal.

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Fiscal Summary

**State Effect:** \$117,800 general fund expenditure increase for the Office of Health Care Quality (OHCQ). Future year expenditures reflect annualization and inflation. Potentially minimal expenditure increase for Medicaid resulting from possible increased staffing costs. No effect on revenues.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	117,800	140,100	147,100	153,500	160,800
Net Effect	(\$117,800)	(\$140,100)	(\$147,100)	(\$153,500)	(\$160,800)

Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** If DHMH determines that a nursing home is not implementing its quality assurance program effectively and that quality assurance activities are inadequate, DHMH may impose appropriate sanctions on the nursing home, including mandated employment of specified quality assurance personnel.

Each nursing home must display a notice that explains the current ratio of licensed personnel to residents and unlicensed personnel to residents. The notice must be displayed on each floor, posted in a visible and accessible location, and on a form provided by DHMH.

Each nursing home must designate a physician to serve as medical director. DHMH must establish qualifications for the medical director and adopt regulations for the medical staff of nursing homes that will provide for physician accountability. DHMH must also establish a technical assistance unit to support compliance efforts and best practices and establish a list of approved medical automated systems. DHMH may partially reimburse a nursing home for the installation of the automated systems, develop guidelines for reimbursement, and adopt regulations to implement the bill's provisions. The bill also authorizes DHMH to review financial and performance records of a potential licensee to determine the ability of the applicant to comply with appropriate laws and regulations.

Each nursing home must provide a 30-day notice to residents and their families prior to closure of the nursing home. Each nursing home must provide a 15-day notice to residents and their families prior to the termination of public funding. DHMH may waive either of these notice requirements.

**Current Law:** Nursing homes are not required to establish a quality assurance plan or have staffing that supports it.

**Background:** Chapters 382 and 383 of 1999 established a Task Force on the Quality of Care in Maryland Nursing Facilities. The task force issued its report to the Governor and the General Assembly in December 1999, with the following findings: (1) nursing home residents have more complex and acute medical needs than in previous decades; (2) personal care needs of residents are not being met and there has been a decline in the quality of care in Maryland's nursing homes; (3) nursing assistants provide most of the care in nursing homes and are paid poorly, resulting in large turnover and continued staff shortages; (4) the federal Balanced Budget Act of 1997 reduced federal Medicare reimbursement to nursing homes; (5) the 1998 federal Nursing Home Initiatives had a major, detrimental, impact on Maryland's regulatory system, compounded by DHMH's difficulty in recruiting qualified survey staff;

(6) DHMH has made complaint investigation a higher priority as directed by the Health Care Financing Administration (HCFA); (7) State licensure laws for enforcing action against nursing homes with poor quality of care are not effective; (8) nursing homes are not practicing internal health quality assurance; (9) advocacy efforts on the behalf of nursing home residents are underfunded and need to be strengthened; and (10) councils of residents' family members can be a valuable source of advocacy for residents if they operate independently of nursing home administration.

This bill implements the task force's recommendation to improve quality assurance programs in nursing homes.

**State Expenditures:**

*Office of Health Care Quality*

General fund expenditures for the OHCQ may increase by \$117,825 in fiscal 2001, which reflects the bill's October 1, 2000, effective date. This estimate reflects the cost of one health facility surveyor nurse, one registered dietitian, and one sanitarian registered to administer DHMH's new technical assistance unit to ensure nursing home compliance. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	\$99,198
Operating Expenses	<u>18,627</u>
<b>Total FY 2001 State Expenditures</b>	<b>\$117,825</b>

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

*Medicaid*

If DHMH imposes a substantial number of sanctions on nursing homes that fail to comply with quality assurance requirements, Medicaid expenditures could increase to pay for additional staffing costs.

Medicaid reimburses nursing homes for administrative and routine costs associated with caring for Medicaid patients. For administrative and routine costs, Medicaid pays up to 114% of the median rate based on region and bed size. Approximately two-thirds of all patients in nursing homes are Medicaid recipients.

The bill's provision that requires a nursing home to have a licensed nurse perform a

concurrent review on a daily basis of each resident will have no effect on Medicaid. Nursing homes currently perform all of the tasks required in the concurrent review, but certified nursing assistants, instead of licensed nurses, may be performing many of these functions. In addition, nursing homes are required by regulation to have a charge nurse perform daily visits with each resident. Given that nursing homes are already performing the bill's requirements, the homes would be able to handle these requirements with existing resources.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 747 (Delegate Hammen, *et al.*) - Environmental Matters.

**Information Source(s):** *Report of the Task Force on Quality of Care in Maryland Nursing Facilities* (December 1999), Department of Health and Mental Hygiene (Office of Health Care Quality), Department of Legislative Services

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