

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

House Bill 784 (Delegate Nathan-Pulliam. *et al.*)

Environmental Matters

Nursing Homes - Staffing

This bill provides that it is the intent of the General Assembly that the Governor provide \$10 million of additional general funds in each of the fiscal 2002 and fiscal 2003 State budgets to increase payments in the Nursing Service Cost Center of the Medicaid nursing home reimbursement formula.

Fiscal Summary

State Effect: General and federal fund expenditures each would increase by \$10 million in FY 2002, and by an additional \$10 million in FY 2003. Future year expenditures remain constant to reflect the increased base Medicaid reimbursement for the Nursing Service Cost Center. Revenues would not be affected.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	0	\$10	\$20	\$20	\$20
FF Expenditures	0	\$10	\$20	\$20	\$20
Net Effect	\$0	(\$20)	(\$40)	(\$40)	(\$40)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The funds must be used to enable nursing homes to address the recommendations of the Task Force on Quality of Care in Nursing Homes to: (1) increase hours of direct care to residents; (2) increase nursing staff; and (3) increase wages, fringe benefits, and other forms of compensation to direct care personnel. The additional funds cannot be used to increase profits allowed in the Nursing Service Cost Center. Nursing home expenditures are subject to audit and cost settlement by the Department of Health and Mental Hygiene (DHMH).

In addition, the bill requires DHMH to reconvene the Medicaid Nursing Home Reimbursement Study Group, which must: (1) review the existing reimbursement formula to ensure it reflects the current and planned requirements of the nursing home program under Medicaid and the care needs of residents; (2) review the proposed funding appropriation for fiscal 2002 and fiscal 2003 and make recommendations for change to the reimbursement formula to ensure that the bill's funding requirements are achieved; and (3) report its findings to the Senate Finance Committee and the House Environmental Matters Committee on or before December 1, 2000.

Current Law: The Governor is not required to provide additional funding in the Nursing Service Cost Center.

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; (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 intent to increase nursing staff ratios and direct care to residents.

State Fiscal Effect: The bill's provisions specify that the Governor will include \$10 million in additional general funds in each of the fiscal 2002 and fiscal 2003 budgets. The federal government matches general fund expenditures on Medicaid nursing home reimbursements. Accordingly, federal fund expenditures will increase by the same amount as general fund expenditures. General and federal fund expenditures each would increase by \$10 million in fiscal 2002, and by \$20 million in fiscal 2003 to reflect the increased base. Future year expenditures remain constant to reflect the increased Medicaid reimbursement funding base for the nursing service cost center.

DHMH must modify the Medicaid reimbursement formula under the nursing service cost center to enable nursing homes to hire more direct care staff, increase salaries, and ultimately increase the number of direct care hours provided to nursing home residents. Medicaid reimburses nursing homes for administrative and routine costs associated with caring for Medicaid patients. For these 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. Revenues would not be affected.

Additional Information

Prior Introductions: None.

Cross File: SB 794 (Senator Hollinger, *et al.*) - Finance.

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

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