

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 757
 Finance

(Senator Peters, *et al.*)

Nursing Facilities - Quality Assessment - Exemption for State Veterans Home

This bill exempts a State-owned nursing facility for veterans from the quality assessment imposed by the Maryland Department of Health (MDH) on specified nursing facilities.

Fiscal Summary

State Effect: Medicaid special fund revenues decline by \$1.38 million in FY 2019 from a reduction in assessment revenues. Medicaid general fund expenditures increase and special fund expenditures decrease, correspondingly, as discussed below. Future years reflect annualization and 1% growth in assessment revenues.

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Revenue	(\$1.38)	(\$1.86)	(\$1.88)	(\$1.90)	(\$1.91)
GF Expenditure	\$1.38	\$1.86	\$1.88	\$1.90	\$1.91
SF Expenditure	(\$1.38)	(\$1.86)	(\$1.88)	(\$1.90)	(\$1.91)
Net Effect	(\$1.38)	(\$1.86)	(\$1.88)	(\$1.90)	(\$1.91)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 503 of 2007 authorized MDH (then the Department of Health and Mental Hygiene) to impose a quality assessment on each freestanding nursing facility with 45 or more beds. The assessment does not apply to a nursing home bed in a continuing care retirement community. The assessment rate was initially set at no more than 2.0% of

the net operating revenues for all nursing facilities for the previous quarter. This rate was increased to 4.0% in 2010, 5.5% in 2011, and 6.0% in 2012, through budget reconciliation and financing legislation.

Each nursing facility subject to the assessment must pay, by the sixtieth day after each quarter of the fiscal year, an amount determined by MDH based on an amount per non-Medicare day of service for the previous quarter. Revenues from the assessment must be collected by the State Comptroller and distributed to a special fund to be used by MDH only to fund nursing facility reimbursement under the Medicaid program.

MDH must annually report to the General Assembly on the implementation of the quality assessment, including the percentage and amount of assessment charged to each nursing facility, the number of nursing facilities subject to the assessment with a net loss, and a comparison of the total amount provided in the Medicaid budget for nursing home reimbursement in the current fiscal year to the actual amount received in the prior year.

Background: Charlotte Hall Veterans Home, operated by the Maryland Department of Veterans Affairs (MDVA), is the State's only State-owned nursing facility for veterans. The facility includes a 168-bed assisted living program, and a 286-bed skilled nursing program.

In fiscal 2016, the most recent year for which data was available, Charlotte Hall Veterans Home was assessed \$2.02 million under the quality assessment program. Data compiled by MDH estimates that, over the same period, Charlotte Hall Veterans Home received approximately \$1.69 million in payments under the quality assessment program in the form of repayment for Medicaid days of care and rate adjustments, resulting in a net negative impact of \$337,056. In fiscal 2016, only one facility in the State, Carriage Hill Bethesda, which is not a Medicaid provider, had a greater net negative impact from the quality assessment, totaling \$630,884.

MDVA advises that exempting Charlotte Hall Veterans Home from the quality assessment will not impact MDVA or Charlotte Hall expenditures but will benefit a subset of residents who currently pay the quality assessment through increased room and board fees.

The Office of Health Care Quality advises that, as of January 2018, 227 nursing homes are licensed to operate in Maryland. Of these, 21 facilities have 45 or fewer beds, 58 facilities have between 45 and 100 beds, 132 facilities have between 101 and 200 beds, and 16 facilities have 201 beds or more.

State Fiscal Effect: MDH special fund revenues decrease by an estimated \$1,379,464 in fiscal 2019, which accounts for the bill's October 1, 2018 effective date. This estimate is based on the following information and assumptions.

- In fiscal 2018, Charlotte Hall Veterans Home is projected to pay \$2,354,409 in quality assessment payments, which accrue as special fund revenues to MDH.
- In fiscal 2018, Charlotte Hall Veterans Home is projected to receive \$1,066,671 in Medicaid reimbursements (50% federal funds and 50% special funds from the quality assessment).
- The *net* special fund revenue collected from Charlotte Hall Veterans Home in fiscal 2018 is projected to be \$1,821,074.
- Assuming 1% growth in revenues from the assessment, in fiscal 2019, net special fund revenues collected from Charlotte Hall Veterans Home are estimated to be \$1,839,285.

Future years reflect annualization and assume 1% growth in revenues from the assessment.

Federal fund revenues remain unchanged, as general funds are used to supplement special fund expenditures.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Health; Department of Veterans Affairs; Department of Legislative Services

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