

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE
Revised

Senate Bill 435 (Senator Teitelbaum. *et al.*)

Finance

Nursing Home and Facility Inspections - Awards and Penalties

This bill establishes certain awards and penalties for nursing homes and nursing facilities, based upon their performance during State inspections. The bill establishes a continuing, non-lapsing account, called the Nursing Home and Facility Inspection Compliance Account, out of which awards will be paid. The account will be funded by reinspection penalties paid by nursing homes and facilities.

If a nursing home or facility has not been cited by the Department of Health and Mental Hygiene (DHMH) for a deficiency in the two preceding inspection years, DHMH must present a compliance achievement award in the amount of \$2,500. After a nursing home or facility has received this award, it is eligible for subsequent compliance achievement awards on an annual basis. A nursing home or facility that receives an award must use the funds to enhance nursing home staff salaries.

If DHMH identifies a deficiency that requires the department to reinspect the nursing home or facility, the nursing home or facility must pay a \$750 reinspection penalty for each reinspection.

Fiscal Summary

State Effect: \$31,100 general fund expenditure increase for the Office of Health Care Quality in FY 2001 for one new position. \$132,800 special fund revenue increase in FY 2001 as a result of the reinspection penalty. \$62,000 special fund expenditure increase in FY 2003 as a result of the compliance achievement awards. Out-year expenditures and revenues reflect annualization, salary increases, inflation, and employee turnover.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Administrative Exp.	\$31,100	\$36,700	\$38,400	\$40,300	\$42,300

SF Revenues	\$132,800	\$177,000	\$177,000	\$177,000	\$177,000
SF Award Expenditures	0	0	\$62,500	\$62,500	\$62,500
Net SF Effect	\$132,800	\$177,000	\$114,500	\$114,500	\$114,500

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: DHMH may impose civil money penalties on a nursing home where a deficiency has been documented. Penalties may be \$5,000 for each day that a serious or life-threatening deficiency exists, and may not exceed a total of \$50,000.

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.

The bill implements the task force's recommendation to establish a special fund financed by civil money penalties to improve the quality of care in nursing homes.

State Revenues: Special fund revenues will increase by \$132,750 in fiscal 2001, which accounts for the bill's October 1, 2000, effective date. It is estimated that 236 of the 261 nursing homes in Maryland will be required to pay the \$750 reinspection fee. Future year revenues reflect annualization and the assumption that the number of nursing homes that pay

a reinspection fee will remain constant.

State Expenditures:

Award Costs

Special fund expenditures are expected to increase by \$62,500 in fiscal 2003. This estimate assumes that 25 of the 261 nursing homes will be deficiency-free for the next two years and therefore eligible to each receive a \$2,500 award. Future year expenditures assume that the number of nursing homes given awards will remain constant.

Administrative Costs

General fund administrative expenditures will increase by \$31,062 in fiscal 2001, which accounts for the bill's October 1, 2000, effective date. This estimate reflects the cost of hiring one administrative specialist to track reinspections, collect fees, and manage the funds and award process. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect: (1) a full salary with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

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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