

Department of Legislative Services  
 Maryland General Assembly  
 2016 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1542 (Delegate B. Barnes, *et al.*)

Rules and Executive Nominations

Nursing Facilities - Quality Assessment - Modification

This bill increases from 45 to 70 the minimum number of beds a nursing facility must have in order to be subject to the quality assessment on freestanding nursing facilities imposed by the Department of Health and Mental Hygiene (DHMH).

The bill takes effect July 1, 2016.

Fiscal Summary

**State Effect:** Medicaid special fund revenues decline by \$6.4 million in FY 2017 from a reduction in assessment revenues. Thus, Medicaid special fund expenditures decline, and general fund expenditures increase correspondingly. Future years reflect 2% growth in revenues from the assessment.

| (\$ in millions) | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|------------------|---------|---------|---------|---------|---------|
| SF Revenue       | (\$6.4) | (\$6.5) | (\$6.7) | (\$6.8) | (\$6.9) |
| GF Expenditure   | \$6.4   | \$6.5   | \$6.7   | \$6.8   | \$6.9   |
| SF Expenditure   | (\$6.4) | (\$6.5) | (\$6.7) | (\$6.8) | (\$6.9) |
| Net Effect       | (\$6.4) | (\$6.5) | (\$6.7) | (\$6.8) | (\$6.9) |

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

**Local Effect:** None.

**Small Business Effect:** Potential meaningful to the extent any nursing facility with 45 to 69 beds is a small business and exempt from the quality assessment.

## Analysis

**Current Law:** Chapter 503 of 2007 authorized DHMH 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 (CCRC). The assessment rate was initially set at no more than 2% 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 DHMH 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 DHMH only to fund nursing facility reimbursement under the Medicaid program.

DHMH 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:** In fiscal 2015, the quality assessment collected \$145,955,678 in revenues. Of the 182 nursing facilities subject to the assessment, 21 (11.5%) paid more under the assessment than they benefitted from the assessment (a net loss), primarily those facilities with high numbers of private-pay patients and a low number of Medicaid days. Net losses ranged from \$2,654 to \$630,884 (for the 1 facility that does not participate in Medicaid), with an average net loss among the 21 facilities of \$145,939. In fiscal 2015, Medicaid nursing home reimbursement was \$1.159 billion. The fiscal 2016 appropriation is \$1.151 billion. Nursing home reimbursement comprises 14% of total Medicaid program spending. The fiscal 2017 budget includes \$23.3 million for a 2% provider rate increase for nursing home facilities.

According to nursing facility licensure data from the Office of Health Care Quality, as of March 1, 2016, there were 232 licensed nursing facilities in the State. The number of licensed beds per facility ranges from 10 to 556, with an average of 122. Of the 232 licensed facilities, 23 have fewer than 45 beds. An additional 21 facilities have between 45 and 69 beds. However, 4 of these facilities are CCRCs and are exempt from the assessment.

**State Revenues:** According to DHMH, the bill reduces the number of facilities subject to the assessment by 17, which in turn reduces special fund assessment revenues. Of the 17 nursing facilities exempt under the bill, 3 had net losses under the assessment in

fiscal 2015, which totaled \$391,210. Based on the number of non-Medicare days for these 17 facilities, Medicaid special fund revenues decline by an estimated \$6.4 million in fiscal 2017. Medicaid special fund expenditures decline correspondingly. Conversely, Medicaid general fund expenditures increase by \$6.4 million in fiscal 2017 to replace lost special funds.

Future years reflect anticipated 2% growth in revenues from the quality assessment.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 1092 (Senator Rosapepe) - Budget and Taxation.

**Information Source(s):** Department of Budget and Management, Department of Health and Mental Hygiene, Office of the Comptroller, Department of Legislative Services

**Fiscal Note History:** First Reader - March 30, 2016  
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