Testimony
Engrossed House Bill 1359 – Department of Human Services
Senate Human Services Committee
Senator Judy Lee, Chairman
March 10, 2015

Chairman Lee, members of the Senate Human Services Committee, I am LeeAnn Thiel, Administrator of Medicaid Payment and Reimbursement Services of the Medical Services Division for the Department of Human Services. I am here today to provide information on the fiscal note for Engrossed House Bill 1359.

There are two parts of a facility's basic care payment, the personal care rate and the room and board rate. Federal Medicaid participation is available only for the personal care rate. The room and board rate is funded with all general fund. Federal Medicaid participation is only available for room and board costs for individuals residing in an institution. An institution is a hospital, nursing facility, intermediate care facility for individuals with intellectual disabilities, or a psychiatric residential treatment facility.

Fiscal Impact

The fiscal impact to the Medicaid program for the changes proposed in Engrossed House Bill 1359 for the 2015-2017 biennium is $267,683 for twelve months of which $262,950 is general funds. The fiscal impact to the Medicaid program for the 2017-2019 biennium is estimated to be $578,767 for 24 months of which $568,096 is general fund.

Today, there are 51 facilities enrolled as basic care assistance providers. The lowest daily rate is $62.39 and the highest daily rate is $165.74.

There are five components of the basic care rate: direct care, indirect care, room and board, property, and operating margin. Basic care rates have limits in two areas; direct care and indirect care. A provider could be limited in one of these categories but not in the other.

Proposed subsections 1 and 2 of Engrossed HB 1359 do not have a fiscal impact.

Proposed subsection 3 of Engrossed HB 1359 would establish the direct care and indirect care limits as follows for all providers participating in the basic care assistance program:

	Proposed	Current
Direct Care	Average of highest and lowest rate multiplied by 70%	80th Percentile Bed
Indirect Care	Average of highest and lowest rate multiplied by 70%	80th Percentile Bed

Proposed subsection 3 would require the Department to "rebase" the limits each year based on the current year's cost reports.

In July 2013, the Department contracted with Myers and Stauffer to do a study on various aspects of the long-term care continuum. One of the areas studied was how the limits for basic care are set. The final report discussed several methodologies that could be used for setting limits. The recommendation from the study is to use a cost-based methodology for setting basic care rates. This recommended method would take into account all providers' costs. The analysis in the final report identified that a median plus methodology would be budget neutral and is the same methodology used in nursing facility rate setting. Median plus means that

the median cost of all providers is inflated by a percentage to calculate the limits.

Proposed subsection 4 of Engrossed HB 1359 would allow for an increase in the medical care leave days from 15 days to 20 days for a resident in a hospital, swing bed, nursing facility and who is expected to return to the basic care facility. Only the room and board portion of the rate is reimbursed for a medical care leave day. The fiscal impact for this proposed change is all general fund.

I would be happy to address any questions that you may have.