

Testimony
House Bill 1303 – Department of Human Services
House Human Services Committee
Representative Robin Weisz, Chairman
January 21, 2009

Chairman Weisz, members of the House Human Services Committee, I am Barbara Fischer, Assistant Director, Budget and Operations of the Medical Services Division for the Department of Human Services. I am here today to provide information regarding the fiscal note for House Bill 1303.

The fiscal impact of increasing allowable bad debt expense from 120 days to 180 days cannot be determined. Allowable bad debt is an inconsistent expense for which the Department does not have data readily accessible. Bad debt expense is reported in its entirety on a cost report and is unallowable except for the portion a facility identifies as meeting the criteria for allowable bad debt. Only the portion of bad debt expense being claimed as allowed is reviewed on an individual client basis when establishing the facility's rates and then only if the facility is under the limit for the Indirect Care cost category.

The Department does not know how many individuals would incur an additional 60 days; however, the lowest nursing facility rate in the state, as of January 1, 2009, is \$113.61 and the highest rate is \$421.02. An individual incurring bad debt for an additional 60 days could increase facility costs from \$6,817 to \$25,261, respectively.

Under current rules, bad debts expense can be included in a nursing facility's rates if the following criteria are met:

- The bad debt is a result of nonpayment of the payment rate.

- Reasonable documented collection efforts have been made, the debt is uncollectible, and there is no likelihood of future recovery.
- The bad debt is not from failure to comply with federal or state laws, rules, or regulations.
- It is not for nonpayment of private rooms, special services not included in the rate, or non-covered bed-hold days.
- The facility has an aggressive policy of avoiding bad debts and documents they have taken action to limit bad debts for those individuals refusing payment.
- The bad debt expense may not exceed 120 days of resident care.

The currently approved Medicaid state plan allows for up to 120 days of bad debt expense to be included in a facility's rates. Because of rate equalization, debt incurred by an individual who does not pay for his/her own care is included in the rate paid by Medicaid and by private pay individuals.

Any change to the number of days of bad debt expense will need to be submitted to and approved by the Centers for Medicare and Medicaid Services.

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