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## FISCAL IMPACT REPORT

SPONSOR Picraux DATE TYPED 2/11/2004 HB 395/aHTRC/aHAFC

SHORT TITLE Health Facility Daily Bed Surcharge SB \_\_\_\_\_

ANALYST Taylor

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	22,500.0	22,500.0	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to SB385  
Relates to Appropriation in the General Appropriation Act

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Human Services Department  
Taxation and Revenue Department

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment requires the human services department to annually calculate a new Medicaid reimbursement rate according to the current formula for nursing homes, intermediate care facilities for the mentally retarded and residential treatment centers.

#### Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment deletes the bill's original daily bed surcharge rate language and substitutes new language imposing a "daily bed surcharge" on licensed nursing home, licensed intermediate care facilities for the mentally retarded, and licensed residential treatment centers. By June 1 each year, the Human Services Department determines the rate for the following year and notifies the Taxation and Revenue Department as well as all affected facilities. The rate must be uniform to the degree that federal regulations allow, and should be structured so that the total revenue raised is equal to 6 percent of prior year revenues.

## FISCAL IMPLICATIONS

The Human Services Department estimates that an average surcharge rate of 6 percent per facility equates to a per occupied bed per day rate of \$8.82, and the surcharge will increase revenues by about \$22.5 million. The estimate is based on the following calculation: \$8.82 multiplied by 6,986 beds by 365 days.

According to HSD, the HAFC amendment requiring the agency to rebase every year will increase the overall cost of the program by about \$8 million beginning in FY06; the general fund would pay approximately one-fourth or \$2million of this. There is no impact in FY05 because the agency, which currently rebases every three years, had already built base adjustments into their FY05 estimates.

### Synopsis of Original Bill

House Bill 395 imposes a “daily bed surcharge” on licensed nursing home, licensed intermediate care facilities for the mentally retarded, and licensed residential treatment centers. The surcharge may not exceed either 6 percent of total annual gross receipts, or \$8.82 per day per occupied bed. The Tax Administration Act is amended to include the daily bed surcharge. The surcharge is paid monthly and remitted to the Taxation and Revenue Department. Receipts from the daily bed surcharge are distributed to the general fund and earmarked for the medicaid program.

The bill also requires HSD to study the feasibility of applying for a federal waiver exempting medicare and private care beds from the daily bed surcharge.

The bill has an effective date of July 1, 2004. It also carries a delayed repeal of June 30, 2007.

## ADMINISTRATIVE IMPLICATIONS

TRD reported that the bill would have a significant administrative impact, and suggested a later effective date. There comments are provided here:

Significant impacts on the Department. As a new tax program, the surcharge would require creation of new forms, instructions and publications, systems will need to be created, Department personnel and taxpayers will need education and audit procedures will have to be developed. No resources are provided to the Department in the bill, so existing staff will have to handle these along with their current responsibilities.

## SUBSTANTIVE ISSUE

The bill earmarks the additional revenue for the Medicaid program. It should be noted, however, that both the revenue and proposed spending form part of the general fund. Some have expressed that federal medicaid authorities could object to such earmarking.

**BT/yr**