

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: Health Care Committee

BILL: CS/SB 2636

SPONSOR: Health Care Committee and Senator Posey

SUBJECT: Medicaid Reimbursement to Nursing Homes

DATE: April 26, 2005

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Garner	Wilson	HE	Fav/CS
2.			HA	
3.				
4.				
5.				
6.				

I. Summary:

CS/SB 2636 requires the Agency for Health Care Administration (AHCA) to establish a Nursing Home Voluntary Competitive Bid Pilot Program for nursing homes with empty Medicaid certified beds in two counties for a 12-month period. Opening bids must be at a rate below existing Medicaid reimbursement rates within the catchment area. All licensed nursing homes with a standard license in the two counties may participate in the program on a voluntary basis. The agency may not develop any rules that prohibit Medicaid beneficiaries or their families from choosing among certified facilities. AHCA must provide a list of approved bidders to all social service providers in the catchment area, including hospitals, assisted living facilities, and any entity making referrals to nursing homes, and update the list as necessary.

After the 12-month period is complete, AHCA must evaluate the pilot program to determine its effectiveness, the effect on quality of care, and the amount of savings to the state. This information must be included in a report to the Governor and the Legislature no later than 90 days after the completion of the pilot program.

This bill amends section 409.908, F.S.

II. Present Situation:

There are currently 699 licensed nursing homes in Florida. Of these, 643 are currently participating in Florida's Medicaid program. These facilities range in bed size from 20 to 462 beds, with an average bed size of 125 beds. During state fiscal year 2004-05, nursing home expenditures are expected to account for approximately \$2.4 billion (17 percent) of the total Medicaid budget. Current Medicaid reimbursement rates range from \$113.89 per day to \$190.50 per day, with the average reimbursement rate being \$150.69.

Nursing homes that participate in the Florida Medicaid Program are paid in accordance with the Florida Title XIX Long-Term Care Reimbursement Plan (the Plan). The Plan is incorporated by reference into Chapter 59G of the Florida Administrative Code (FAC) and details the methods and standards by which facilities are reimbursed.

The Plan is often referred to as a cost based prospective reimbursement plan. It is cost based because it utilizes historical data from cost reports to establish reimbursement rates. The Plan is prospective because it adjusts historical costs for inflation in establishing reimbursement rates for subsequent rate semesters.

Each nursing home is required to submit an annual cost report to the Agency. Cost reports are due within three calendar months after the end of the facility's cost reporting period. The data within these cost reports is then used to establish reimbursement (per diem) rates in accordance with the Plan.

Per diem rates are established for each facility twice a year, every January 1 and July 1, based on the latest cost reports received by September 30 and March 31, respectively. The January 1 – June 30 and July 1 – December 31 periods are referred to as rate periods or rate semesters. Each semester, a single per diem rate is established for each facility that is paid for all Medicaid patient days.

Nursing home per diem rates are facility specific and are an aggregate of four components:

- Operating,
- Patient care (which is the sum of direct and indirect patient care subcomponents),
- Property, and
- Return on equity (ROE) for money invested and used in providing patient care.

The operating component includes administration, laundry and linen, plant operations, house keeping expenses, and liability insurance costs. It may also include Medicaid bad debt expenses. The patient care component includes nursing, dietary, other patient care (social services and medical records) and ancillary expenses. The property component includes interest, depreciation, insurance, property taxes and equipment rental expenses. The return on equity component is a calculation based on the equity in the facility. Each of these components is calculated independently and is then combined to determine the per diem rate.

III. Effect of Proposed Changes:

Section 1. Amends section 409.908(2)(a), F.S., to require AHCA to establish a Nursing Home Voluntary Competitive Bid Pilot Program for nursing homes with empty Medicaid certified beds in two counties for a 12-month period. Opening bids must be at a rate below existing Medicaid reimbursement rates within the catchment area. All licensed nursing homes with a standard license in the two counties may participate in the program on a voluntary basis. The agency may not develop any rules that prohibit Medicaid beneficiaries or their families from choosing among certified facilities. AHCA must provide a list of approved bidders to all social service providers

in the catchment area, including hospitals, assisted living facilities, and any entity making referrals to nursing homes, and update the list as necessary.

After the 12-month period is complete, AHCA must evaluate the pilot program to determine its effectiveness, the effect on quality of care, and the amount of savings to the state. This information must be included in a report to the Governor and the Legislature no later than 90 days after the completion of the pilot program.

Section 2. Provides an effective date of July 1, 2005.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Article I, Section 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The effect of the bill on the private sector is indeterminate at this time.

C. Government Sector Impact:

The effect of the bill on the public sector is indeterminate at this time.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

VIII. Summary of Amendments:

None.

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