Bill Analysis

Bob Bennett *Legislative Service Commission*

H.B. 396
126th General Assembly
(As Introduced)

Reps. Hoops, Peterson, Wagoner

BILL SUMMARY

- Provides for the fiscal years 2006 and 2007 Medicaid reimbursement rate for an intermediate care facility for the mentally retarded to be adjusted to reflect a change in the facility's capital costs due to a non-extensive renovation approved by the Department of Job and Family Services before July 1, 2005, if no adjustment to the facility's rate for the renovation was made before that date.

CONTENT AND OPERATION

Background

Ohio's Medicaid program covers services provided by an intermediate care facility for the mentally retarded (ICF/MR) to a Medicaid recipient eligible for the services. The budget act for fiscal years 2006 and 2007, Am. Sub. H.B. 66 of the 126th General Assembly, froze the Medicaid reimbursement rate for ICFs/MR at the rate paid ICFs/MR on June 30, 2005.[1]

The Director of Job and Family Services is required to adopt rules establishing a process to reconsider an ICF/MR's Medicaid rate under certain circumstances, including when an ICF/MR's costs have increased due to extreme circumstances. A non-extensive renovation[2] may qualify as an extreme

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[1] *Section 206.66.25 of Am. Sub. H.B. 66 of the 126th General Assembly*

[2] *A renovation is a betterment, improvement, or restoration of an ICF/MR beyond its current functional capacity through a structural change that costs at least $500 per bed. A renovation may include a betterment, improvement, restoration, or replacement of assets that are affixed to the building and have a useful life of at least five years. A renovation may include costs that otherwise would be considered maintenance and repair expenses if they are an integral part of the structural change that makes up the renovation project. A construction of additional space for beds that will be added to an*

circumstance warranting a rate reconsideration if (1) at least five years have elapsed since the facility was licensed or the portion of the facility that is proposed to be renovated was last extensively renovated (unless the renovation is needed to meet a federal, state, or local requirement) and (2) the renovation is approved by the Department of Job and Family Services.[3] However, H.B. 66 did not provide for such rate reconsiderations to be made for fiscal year 2006 or 2007. An adjustment necessitated by an audit of an ICF/MR's Medicaid cost report for fiscal year 2003 is the only adjustment that H.B. 66 authorized for an ICF/MR's fiscal year 2006 or 2007 rate.

Adjustments for non-extensive renovations

(Sections 1 and 2)

The bill provides that an ICF/MR's Medicaid rate for fiscal years 2006 and 2007 must be adjusted to reflect a change in the facility's capital costs[4] due to a non-extensive renovation approved by the Department of Job and Family Services before July 1, 2005, for which no adjustment to the facility's rate was made before that date. The amount of the adjustment is to be determined in accordance with the Department's rules.

The bill specifies that the adjustment it requires and the adjustment permitted under current law regarding audits of an ICF/MR's Medicaid cost report for fiscal year 2003 are the only adjustments to be made to an ICF/MR's rate for fiscal years 2006 and 2007.

ICF/MR's licensed or certified capacity is not a renovation. A renovation is considered to be extensive if the renovation costs more than 65% and no more than 85% of the cost of constructing a new bed and extends the useful life of the assets for at least ten years. The Department of Job and Family Services is permitted to treat a renovation that costs more than 85% of the cost of constructing a new bed as an extensive renovation if the Department determines that the renovation is more prudent than construction of new beds. (R.C. 5111.20(BB).)

[3] *R.C. 5111.251(D) and 5111.29(A)(2).*

[4] *An ICF/MR's Medicaid rate consists of different components including a component referred to as capital costs. In addition to non-extensive renovation, capital costs are (1) depreciation and interest on any capital assets that cost $500 or more per item, including extensive renovations, (2) amortization and interest on land improvements and leasehold improvements, (3) amortization of financing costs, and (4) certain lease and rent of land, building, and equipment. (R.C. 5111.20(C).)*

HISTORY

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