



Bob Bennett

## *Bill Analysis*

*Legislative Service Commission*

### **S.B. 359**

126th General Assembly  
(As Introduced)

Sens. D. Miller, Zurz, Prentiss, Spada, R. Miller

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#### **BILL SUMMARY**

- Adjusts the fiscal years 2006 and 2007 Medicaid reimbursement rates for qualified replacement nursing facilities.
- Provides that a qualified replacement nursing facility's adjusted rate is to be the last Medicaid reimbursement rate paid to the nursing facility being replaced by the qualified replacement nursing facility.

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#### **CONTENT AND OPERATION**

##### **Background**

Current law provides that a nursing facility that obtained certification to participate in the Medicaid program and began participating during fiscal year 2006 is to be paid, for Medicaid-covered nursing facility services provided during the period beginning on the date the facility began participating and ending June 30, 2006, a rate that is the median rate of all rates paid nursing facilities on July 1, 2005.

For fiscal year 2007, a nursing facility participating in the Medicaid program at the end of fiscal year 2006 is to be paid a rate determined under a new formula established by the biennial budget act for the 126th General Assembly, Am. Sub. H.B. 66, as that amount is increased by 2% and further increased by another 2%. However, if the resulting amount is more than 102% of the rate the nursing facility was paid on June 30, 2006, the facility's fiscal year 2007 rate is to be decreased so that it is no more than 102% of the June 30, 2006, rate. If the resulting rate is less than 98% of the nursing facility's rate paid on June 30, 2006, the facility's rate is to be increased so that it is no less than 98% of its June 30, 2006, rate.

**Adjusted rate for qualified replacement nursing facilities**

(Sections 1, 2, and 3)

The bill provides for the Medicaid reimbursement rate for fiscal years 2006 and 2007 to be adjusted for certain nursing facilities. To qualify for the rate adjustment, a nursing facility must be a qualified replacement nursing facility, which is defined as a nursing facility that meets all of the following requirements:

(1) The provider<sup>1</sup> of the nursing facility must be a nonprofit corporation exempt from federal income taxation;

(2) The provider of the nursing facility must have received a certificate of need from the Director of Health before June 15, 2005, to construct the nursing facility;

(3) The nursing facility must have obtained certification to participate in the Medicaid program from the Director of Health, and begun participation in the Medicaid program, during fiscal year 2006;

(4) The nursing facility must have replaced an older nursing facility that provided Medicaid-funded nursing facility services on the date immediately before the date the new nursing facility began participation in the Medicaid program;

(5) The nursing facility must be located on the same campus as the older nursing facility the nursing facility replaced;

(6) The provider of the nursing facility must have a valid Medicaid provider agreement for the nursing facility.

The bill provides that the adjusted rate is to apply for the period beginning on the date during fiscal year 2006 that the qualified replacement nursing facility began participation in the Medicaid program and ending the last day of fiscal year 2007 (June 30, 2007). The adjusted rate is to be the Medicaid reimbursement rate paid to the provider for nursing facility services that the older nursing facility replaced by the qualified replacement nursing facility provided on the date immediately before the date the new nursing facility began participation in the Medicaid program. This rate would be instead of a rate, for fiscal year 2006, that is the median rate paid to nursing facilities at the start of fiscal year 2006 and, for fiscal year 2007, the rate determined in part under the new reimbursement formula included in the most recent biennial budget act.

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<sup>1</sup> A "provider" is a corporation responsible for the daily operating and management decisions for a nursing facility covered by a Medicaid provider agreement.

The Department of Job and Family Services is required to adjust retroactively any Medicaid payment made before the bill's effective date to the provider of a qualified replacement nursing facility for nursing facility services the facility provided before the bill's effective date as necessary to ensure the provider is paid the rate determined under the bill. The Department must make the payment in one lump sum not later than 30 days after the bill's effective date. The bill requires that the Department follow the bill in determining the rate to be paid to a provider of a qualified replacement nursing facility notwithstanding anything to the contrary in state law governing Medicaid payments to nursing facilities.

The bill provides that the adjusted rate is in addition to any per diem payment that a qualified replacement nursing facility is eligible to receive under continuing law providing quarterly payments to qualifying nursing facilities for uncompensated capital costs. The quarterly payments are available for the period beginning January 1, 2006, and ending the earlier of July 1, 2007, or the date that the total amount of the payments to all qualifying facilities equals \$10 million.<sup>2</sup>

Continuing law requires most nursing facilities to pay a franchise permit fee. Revenue generated by the fee is used by the state to qualify for additional federal funds for the Medicaid program. The bill provides that if the United States Centers for Medicare and Medicaid Services, the federal agency that administers the Medicaid program, requires that the franchise permit fee be reduced or eliminated, the Department must reduce the amount it pays providers of qualified replacement nursing facilities under the bill as necessary to reflect the loss to the state of the revenue and federal financial participation generated from the franchise permit fee.

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## HISTORY

ACTION	DATE
Introduced	08-15-06

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<sup>2</sup> *The bill cites the wrong legislation as the source of the law providing for the quarterly payments for uncompensated capital costs. The bill cites Am. Sub. H.B. 66 of the 126th General Assembly but should cite Am. Sub. H.B. 530 of that General Assembly. This could be corrected by an amendment.*