



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0649 - Implement rates from provider rate study (Caferro, Mary)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$65,323,031	\$69,853,509	\$74,492,832	\$77,252,629
State Special Revenue	\$1,802,236	\$1,978,194	\$2,051,802	\$2,128,150
Federal Special Revenue	\$127,863,294	\$137,769,851	\$142,889,730	\$148,199,924
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$127,863,294	\$137,769,851	\$142,889,730	\$148,199,924
Net Impact-General Fund Balance:	<u>(\$65,323,031)</u>	<u>(\$69,853,509)</u>	<u>(\$74,492,832)</u>	<u>(\$77,252,629)</u>

Description of fiscal impact: HB 649 requires the Department of Public Health and Human Services (DPHHS/department) to implement the benchmark provider rates based on the Guidehouse rate studies performed in 2021 and 2022. The bill also requires annual inflationary increases for those studied rates.

FISCAL ANALYSIS

Assumptions:

- Section 1(2)(a) requires the department to set the base daily rate for nursing homes determined by the nursing facility rate study prior to applying the occupancy adjustment. The facility rate study varied considerably by facility, ranging from a low of \$238.13 per day to a high of \$673.15 per day. For purposes of this analysis, the department used the average base daily rate among all facilities of \$349.56 as the rate for FY 2024.
- The department calculated the cost to raise any rate with a published benchmark by Guidehouse from its current rate to the benchmark rate. Per Section 1(2)(b) the department then applied an inflationary factor of 6.4% based on the most recently published consumer price index, U.S. city average, all urban consumers, for all rates, except nursing home and rates already at benchmark.

3. For any rate currently at or above the Guidehouse benchmark rate, per section 1(2)(c) the department assumed a 4% rate increase in FY 2024 based on the department’s provider rate increase proposal for non-studied rates.
4. For FY 2025 through FY 2027 based on section 1(3), the department assumed a 3% inflationary factor for all studied rates with a published benchmark by Guidehouse.

Medicaid Benefits		Population Growth	100.70%	100.70%
Benefit Costs	FY 2024	FY 2025	FY 2026	FY 2027
Standard Medicaid	\$ 66,946,158	\$ 73,921,825	\$ 76,672,456	\$ 79,525,438
Standard Medicaid - CFC	\$ 24,392,899	\$ 26,645,858	\$ 27,637,351	\$ 28,665,736
Standard Medicaid - Nursing Home*	\$ 86,119,715	\$ 91,286,898	\$ 94,683,683	\$ 98,206,863
Expansion	\$ 2,450,893	\$ 2,717,398	\$ 2,818,512	\$ 2,923,389
Expansion Nursing Home*	\$ 4,133,973	\$ 4,133,973	\$ 4,287,798	\$ 4,447,347
Expansion - CFC	\$ 1,728,011	\$ 1,770,576	\$ 1,836,459	\$ 1,904,793
Tribal	\$ 178,189	\$ 197,955	\$ 205,321	\$ 212,961
Total for rates currently below benchmark	\$ 185,949,840	\$ 200,674,482	\$ 208,141,580	\$ 215,886,528
Inflation Factor	6.40%	3.00%	3.00%	3.00%
Total with Inflation Factor	\$ 192,074,393	\$ 206,694,717	\$ 214,385,827	\$ 222,363,124
*Inflation factor in FY24 is not applied to Nursing Homes				
Rates Already at Benchmark	\$ 11,362,336	\$ 12,445,770	\$ 12,908,877	\$ 13,389,217
Inflation Factor	4.00%	3.00%	3.00%	3.00%
Total For Rates already at benchmark	\$ 454,493	\$ 373,373	\$ 387,266	\$ 401,676
Total Medicaid Impact	\$ 192,528,887	\$ 207,068,090	\$ 214,773,093	\$ 222,764,800
FMAP	FY 2024	FY 2025	FY 2026	FY 2027
Standard Medicaid				
State Share	36.09%	35.88%	35.88%	35.88%
Federal Share	63.91%	64.12%	64.12%	64.12%
Tribal	100.00%	100.00%	100.00%	100.00%
Expansion				
State Share	10.00%	10.00%	10.00%	10.00%
Federal Share	90.00%	90.00%	90.00%	90.00%
Tribal	100.00%	100.00%	100.00%	100.00%
Community First Choice - Standard Medicaid				
State Share	30.09%	29.88%	29.88%	29.88%
Federal Share	69.91%	70.12%	70.12%	70.12%
Tribal	100.00%	100.00%	100.00%	100.00%
Community First Choice - Medicaid Expansion				
State Share	6.00%	6.00%	6.00%	6.00%
Federal Share	94.00%	94.00%	94.00%	94.00%
Tribal	100.00%	100.00%	100.00%	100.00%
Funding Impact	FY 2024	FY 2025	FY 2026	FY 2027
General Fund	\$ 63,743,620	\$ 68,226,718	\$ 72,817,236	\$ 75,526,765
State Special Revenue	\$ 1,802,236	\$ 1,978,194	\$ 2,051,802	\$ 2,128,150
Federal Share	\$ 126,983,030	\$ 136,863,178	\$ 141,955,857	\$ 147,238,035
TOTAL	\$ 192,528,887	\$ 207,068,090	\$ 216,824,896	\$ 224,892,950

5. The Guidehouse rate study included provider types that are utilized for foster care placements. The department assumes the bill applies to these rates as well. The department calculated the increase to the foster care group home, foster care therapeutic group home, foster care shelter home, and foster care respite care rates to the benchmark rates. The department has assumed a 6.4% rate increase in FY 2024 and an inflationary factor of 3% for FY 2025 through FY 2027. These services are eligible for federal reimbursement through Title IV-E of the Social Securities Act and Temporary Assistance for Needy Families (TANF) for children meeting eligibility requirements for these programs. The remaining costs are funded with general fund. This

result in overall funding of 73.87% general fund, and 26.13% federal funds. The increased cost and funding are identified in the table, below:

Non-Medicaid Benefits - Child and Family Services					HB 649 Increase			
Benefit Costs	Base Rate	% to Benchmark	Inflation	FY 2024 Total	FY 2024	FY 2025	FY 2026	FY 2027
Foster Care Group Homes	\$ 1,284,116	10%	6.40%	\$ 1,494,711	\$ 210,595	\$ 216,913	\$ 223,420	\$ 230,123
Therapeutic Group Homes	\$ 1,802,141	10%	6.40%	\$ 2,097,692	\$ 295,551	\$ 304,418	\$ 313,550	\$ 322,957
Foster Care Shelter Care	\$ 1,528,895	20%	6.40%	\$ 1,932,523	\$ 403,628	\$ 415,737	\$ 428,209	\$ 441,055
Foster Care Respite Services	\$ 129,284	404%	6.40%	\$ 659,866	\$ 530,582	\$ 546,499	\$ 562,894	\$ 579,781
Total Benefit Costs	\$ 4,744,436			\$ 6,184,792	\$ 1,440,356	\$ 1,483,567	\$ 1,528,074	\$ 1,573,916
Funding					FY 2024	FY 2025	FY 2026	FY 2027
General Fund	73.87%			73.87%	73.87%	73.87%	73.87%	73.87%
Federal Share	26.13%			26.13%	26.13%	26.13%	26.13%	26.13%
Funding Impact					FY 2024	FY 2025	FY 2026	FY 2027
General Fund	\$ 3,504,885			\$ 4,568,927	\$ 1,064,042	\$ 1,095,964	\$ 1,128,843	\$ 1,162,708
Federal Share	\$ 1,239,551			\$ 1,615,865	\$ 376,313	\$ 387,603	\$ 399,231	\$ 411,208
TOTAL	\$ 4,744,436			\$ 6,184,792	\$ 1,440,356	\$ 1,483,567	\$ 1,528,074	\$ 1,573,916

- The Guidehouse study included provider types that are utilized for indexing provider rates for services delivered through the Disability Employment Transitions Division. The department assumes the bill applies to these rates as well. The department calculated the increase to extended employment and community rehabilitation services to the benchmark rates. The department assumes a 6.4% rate increase in FY 2024 and an inflationary factor of 3% for FY 2025 through FY 2027. Job assistance services are eligible for federal reimbursement through the Vocational Rehabilitation grant at 78.7% federal funds, and 20.3% general funds. Extended employment services are not eligible for federal reimbursement and are funded with 100% general fund. The increased cost and funding are identified in the table, below:

Non-Medicaid Benefits - Disability Employment and Transition					HB 649 Increase			
Benefit Costs	Base Rate	% to Benchmark	Inflation	FY 2024 Total	FY 2024	FY 2025	FY 2026	FY 2027
Extended Employment	\$ 991,096	40.00%	6.40%	\$ 1,450,965	\$ 459,869	\$ 473,665	\$ 487,875	\$ 502,511
Community Rehabilitation	\$ 1,675,000	27.00%	6.40%	\$ 2,234,450	\$ 559,450	\$ 576,234	\$ 593,521	\$ 611,326
Total Benefit Costs	\$ 2,666,096			\$ 3,685,415	\$ 1,019,319	\$ 1,049,898	\$ 1,081,395	\$ 1,113,837
Funding					FY 2024	FY 2025	FY 2026	FY 2027
General Fund	50.56%			50.56%	50.56%	50.56%	50.56%	50.56%
Federal Share	49.44%			49.44%	49.44%	49.44%	49.44%	49.44%
Funding Impact					FY 2024	FY 2025	FY 2026	FY 2027
General Fund	\$ 1,347,978			\$ 1,863,346	\$ 515,367	\$ 530,828	\$ 546,753	\$ 563,156
Federal Share	\$ 1,318,118			\$ 1,822,069	\$ 503,951	\$ 519,070	\$ 534,642	\$ 550,681
TOTAL	\$ 2,666,096			\$ 3,685,415	\$ 1,019,319	\$ 1,049,898	\$ 1,081,395	\$ 1,113,837

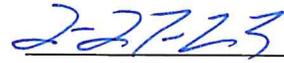
	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Benefits	\$194,988,561	\$209,601,555	\$219,434,364	\$227,580,703
TOTAL Expenditures	\$194,988,561	\$209,601,555	\$219,434,364	\$227,580,703
<u>Funding of Expenditures:</u>				
General Fund (01)	\$65,323,031	\$69,853,510	\$74,492,832	\$77,252,629
State Special Revenue (02)	\$1,802,236	\$1,978,194	\$2,051,802	\$2,128,150
Federal Special Revenue (03)	\$127,863,294	\$137,769,851	\$142,889,730	\$148,199,924
TOTAL Funding of Exp.	\$194,988,561	\$209,601,555	\$219,434,364	\$227,580,703
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$127,863,294	\$137,769,851	\$142,889,730	\$148,199,924
TOTAL Revenues	\$127,863,294	\$137,769,851	\$142,889,730	\$148,199,924
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$65,323,031)	(\$69,853,510)	(\$74,492,832)	(\$77,252,629)
State Special Revenue (02)	(\$1,802,236)	(\$1,978,194)	(\$2,051,802)	(\$2,128,150)
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

Technical Notes:

1. To receive federal reimbursement of the additional costs of the provider rate increases, the department will need to submit both Medicaid state plan amendments and waiver amendments to the Centers for Medicaid and Medicare (CMS) for approval. Generally, the department assumes this approval process takes 180 days. Therefore, if the department does not receive all necessary approvals to receive federal reimbursement effective July 1, 2023, this fiscal note could be considerably understating general fund impact and overstating federal fund impact.
2. Section 1(b) does not specify the measurement period when calculating the CPI inflationary factor. The department used a 1-year measurement period for purposes of this fiscal analysis.
3. Section 1(3) includes an inflationary increases to provider rates equal to the greater of 3% or the increase in a measure of the consumer price index (CPI). This fiscal note assumed an inflationary rate of 3%. To the extent actual inflation is higher than 3%, the actual costs of this fiscal note could increase significantly.
4. Setting the nursing facility rate without an occupancy adjustment significantly rewards facilities with a low occupancy rate and will encourage continued vacancy in these facilities.
5. Multiple other bills have components of the proposed Medicaid provider rates increases as outlined in HB 649 that would require coordination if HB 649 were to pass, at time of publication, these other bills include HB 2, SB 296, SB 329.

NOT SIGNED BY SPONSOR


Budget Director's Initials


Date