

To: Senate Public Health and Welfare Committee

From: Dave Halferty
Chief Financial Officer

Date: March 20, 2013

Subject: H.B. 2160, Quality care assessment on skilled nursing care facilities

Chairwoman Pilcher Cook and members of the Committee:

Thank you for the opportunity to discuss H.B. 2160, legislation which deals with the quality care assessment on skilled nursing care facilities. The Kansas Department of Aging and Disability Services is supportive of this legislation.

In 2010, the Kansas Legislature passed a provider assessment for nursing facilities. This allows the State to assess nursing facilities on a per-bed basis, match the funds with federal dollars, and reimburse the nursing facilities at a higher rate. This has provided funding for nursing home reimbursement that would have otherwise required additional state general funds. In FY 2013, it is projected that the assessment and related reimbursement provisions will result in a net revenue increase to providers of approximately \$23.0 million.

However, included in the legislation is a "sunset" proviso requiring the reduction of the assessment rate to 60% in FY 2014 and 0% in FY 2015. A reduction in the assessment rate would result in a decrease of \$7.5 million in receipts to the Quality Care fund in FY 2014, which could result in a reduction of corresponding payments to nursing homes of \$16.7 million. This could force reimbursement cuts of 3.7%. Allowing the assessment to sunset would either require an increase in state general funds to hold nursing home rates flat, or a decrease in nursing home reimbursement.

HB 2160, would eliminate the sunset provision and extend the assessment through July 1, 2016. The bill would have the following fiscal effect:

- FY 2014 – Restores \$7.5 million in assessment revenue protecting \$16.7 million in all funds and avoiding 3.7% reimbursement cuts to nursing facilities.
- FY 2015 – Restores \$18.7 million in assessment revenue protecting \$41.7 million in all funds and avoiding 9.3% reimbursement cuts to nursing facilities.
- FY 2016 – Restores \$18.7 million in assessment revenue protecting \$41.7 million in all funds and avoiding 9.3% reimbursement cuts to nursing facilities.

In addition, HB 2160 would change all agency references contained in the nursing facility provider assessment statute from the Kansas Department on Aging to the Department for Aging and Disability Services. Finally, the bill would require that the Quality Care Panel report to the Legislature in general rather than the Health Policy Oversight Committee, as prescribed in the current statute.