

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1874 - SB 2075

February 22, 2016

SUMMARY OF BILL: Extends the prohibition on new nursing home beds, except for 125 Medicare skilled nursing facility beds, to June 30, 2021.

ESTIMATED FISCAL IMPACT:

**Forgone State Revenue - \$423,000/Each Year FY16-17 thru FY20-21/
Nursing Home Assessment Trust Fund**

State Expenditures – Cost Avoidance - \$1,787,100/Each Year FY16-17 thru FY20-21

Federal Expenditures – Cost Avoidance - \$3,316,400/Each Year FY16-17 thru FY20-21

Assumptions:

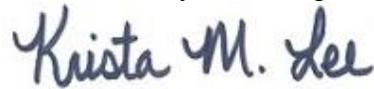
- Pursuant to Tenn. Code Ann. § 68-11-1622(a), the number of new nursing home beds for which certificates of need may be issued by the Health Services Development Agency during FY16-17 is limited to 125 beds. This will extend the current limitation for an additional four fiscal years.
- Based on information previously provided by the Bureau of TennCare, there is a potential annual bed growth of 100 beds for Medicaid eligible individuals if the provisions of the bill are not enacted.
- The nursing home assessment, enacted pursuant to Public Chapter 859 of 2014, is based on facilities paying on non-Medicare bed days. Medicare pays approximately 19 percent of the state's nursing home days; therefore, forgone revenue is based on potential growth of 81 beds [100 beds – (100 beds x 0.19)] from which the state would collect assessment revenue in the absence of the proposed bill.
- According to the Bureau of TennCare, there are approximately 319 total facilities paying the following assessment rates:
 - Six facilities, or approximately two percent, pay \$2,225 per licensed bed;
 - 36 facilities, or approximately 11 percent, pay a daily rate of \$9.13; and
 - 277 facilities, or approximately 87 percent, pay a daily rate of \$15.15.
- The state will forgo any increased revenue from the nursing home assessment. Applying these rates to the potential growth of 81 beds, the total forgone revenue is estimated to be \$422,979 based on the following amounts:
 - \$3,605 (81 beds x 2.0% x \$2,225);
 - \$29,692 (81 beds x 11.0% x \$9.13 x 365 days); and

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- \$389,682 (81 beds x 87.0% x \$15.15 x 365 days).
- The TennCare Level 1 nursing facility daily reimbursement rate is \$172.62. TennCare will avoid an increase in expenditures estimated to be \$5,103,510 (81 beds x \$172.62 x 365 days).
- Of the \$5,103,510 in avoided costs, \$1,787,096 would be state funds at a rate of 35.017 percent and \$3,316,414 would be federal funds at a match rate of 64.983 percent.
- The proposed legislation extends the moratorium for a period of five years. For purposes of this analysis, all rates are assumed to remain constant over this period of time.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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