



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 425

Sponsor: Senator George A. McManus, Jr.

Committee: Families, Mental Health and Human Services

Date Completed: 10-2-95

SUMMARY OF SENATE BILL 425 as introduced 3-22-95:

The bill would amend the Social Welfare Act to extend for five years, until December 31, 2000, provisions under which a county's "maintenance of effort rate" for Medicaid-funded nursing home services is limited to the rate in effect on September 30, 1984.

Under the Act, the State Department of Social Services (DSS) is required to pay for nursing home services in accordance with the State plan for medical assistance, but a county is required to reimburse a county maintenance of effort rate determined on an annual rate for each patient day of Medicaid nursing home services provided to eligible persons in licensed long-term care facilities owned by the county. If a county-owned facility's "per patient day updated variable costs" exceed the variable cost limit for the facility, the rate is "45% of the difference between per patient day updated variable cost and the concomitant nursing home-class variable cost limit, the quantity offset by the difference between per patient day updated variable cost and the concomitant variable cost limit for the county facility". If a facility's per patient day updated variable costs do not exceed the variable cost limit for the facility, the rate is 45% of the difference between per patient day updated variable cost and the concomitant nursing home class variable cost limit. The rate is zero for a facility with per patient day updated variable costs that do not exceed the concomitant nursing home class variable cost limit.

If the county maintenance of effort rate computed according to these provisions exceeds the rate in effect as of September 30, 1984, the rate in effect on that date is to remain in effect until the rate computed under the Act is less than the 1984 rate. This limitation is scheduled to expire on December 31, 1995. For each subsequent county fiscal year the maintenance of effort rate may not increase by more than \$1 per patient day each year.

The bill would extend the December 31, 1995, expiration date to December 31, 2000.

MCL 400.109

Legislative Analyst: S. Margules

FISCAL IMPACT

Nominally this bill would have no direct fiscal impact on the FY 1995-96 DSS budget as the estimated revenue from counties for Medicaid long-term care services, in county-owned facilities, was not adjusted for possible changes in the maintenance of effort (MOE) rate. The State would forego the opportunity to collect additional revenue to offset General Fund/General Purpose (GF/GP) expenditures, of someplace in the area of \$1,000,000 annually, as 31 of the 36 remaining

county facilities will have their MOE rate increased by up to \$1 per patient day if the current moratorium lapses. It should be noted that if these additional costs to the counties placed the continued operation of these facilities in danger, then the State would have to deal with the possibility of closures and substantial transfers of elderly and disabled patients with unknown costs. Finally, these county facilities are a major link in one of the State's Medicaid special financing mechanisms. The loss of their participation could cost the State around \$150,000,000 in GF/GP offset.

Fiscal Analyst: J. Walker

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.