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SFA BILL ANALYSIS

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Senate Bill 600 (Substitute S-1 as reported)
Sponsor: Senator Robert Geake
Senate Committee: Families, Mental Health and Human Services

CONTENT

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

Under the Act, the Department of Community Health (DCH) is required to pay for nursing home services in accordance with the State plan for medical assistance, but a county must reimburse a county MOE 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, 1997. For each subsequent county fiscal year the MOE rate may not increase by more than $1 per patient day each year. The bill would extend the December 31, 1997, expiration date to December 31, 2000.

MCL 400.109 Legislative Analyst: P. Affholter

FISCAL IMPACT

Nominally this bill would have no direct fiscal impact on the FY 1997-98 DCH 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 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 two-thirds of the 36 county facilities will have their MOE rate increased by up to $1 per patient day if the current moratorium lapses. 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. 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.

Date Completed: 10-13-97 Fiscal Analyst: J. Walker