Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4734 (as passed by the House)
Sponsor: Representative Matt Lori
House Committee: Appropriations
Senate Committee: Appropriations

Date Completed: 6-28-11

## CONTENT

During 2002, Quality Assurance Assessment Programs (QAAPs) were instituted for long-term care (nursing home) services. A quality assurance assessment is a tax upon an entire provider group. The nursing home QAAP is a way to increase net funding to nursing homes overall while producing GF/GP savings for the State.

The QAAP revenue accrues to the State and supplants General Fund support, thus producing GF/GP savings. In turn, the State uses most of the GF/GP savings to increase Medicaid rates paid to the provider group. When combined with Federal Medicaid match, the total increase in Medicaid rates exceeds the tax that was paid, leading to a net gain for that provider group as a whole.

The net gain does not mean that each individual nursing home sees a net gain from the QAAP. A provider with a low Medicaid volume compared to other providers ends up paying more in taxes than that provider gains from the increased Medicaid rates. A provider that does not accept Medicaid at all pays the tax but receives no increase whatsoever. It is the case, however, that the large majority of providers see a net increase in funding.

Quality Assurance Assessment Programs must be approved by the Federal government and must be broad-based and uniform. They may not be set up in such a way to reimburse net losers for their costs.

The current nursing home QAAP has a sunset date of October 1, 2011.

House Bill 4734 would extend the sunset date to October 1, 2014. The bill also states that the nursing home quality assurance assessment could not be collected if the QAAP revenue were no longer eligible for Federal Medicaid matching funds. This provision already exists in the hospital QAAP statute.

MCL 333.20161

## FISCAL IMPACT

The FY 2011-12 Department of Community Health (DCH) budget includes almost $240.0 million in nursing home QAAP revenue. Failure to extend the sunset would result in a reduction in available Medicaid matchable revenue of almost $240.0 million. This could increase GF/GP costs by up to $240.0 million or lead to a significant reduction in Medicaid nursing home reimbursement rates.

The provision eliminating the QAAP if the revenue were no longer eligible for Federal match would not affect the FY 2011-12 budget as the revenue is already assumed to be matchable. There has been no indication that the Federal government will change its policy on matching QAAP revenue.

Fiscal Analyst: Steve Angelotti

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