



**Senate Fiscal Agency**  
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BILL



ANALYSIS

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Senate Bill 1037 (Substitute S-1 as reported)  
Senate Bill 1038 (Substitute S-1 as reported)  
Senate Bill 1039 (Substitute S-1 as reported)  
Sponsor: Senator Peter MacGregor (S.B. 1037)  
Senator Jim Stamas (S.B. 1038)  
Senator Goeff Hansen (S.B. 1039)  
Committee: Oversight

### **CONTENT**

Senate Bill 1037 (S-1) would amend the Social Welfare Act to require the Department of Health and Human Services (DHHS) do the following:

- Revise a Medicaid nonavailable bed plan policy to allow a nursing facility to remove beds from service for up to 10 years.
- Establish a process to automatically change the program enrollment type and managed care enrollment status in the Community Health Automated Medicaid Processing System immediately upon receiving a filing to disenroll a nursing facility resident.
- Perform a secondary review of a denied rate exception within 60 days after receiving a request from a nursing facility.
- Offer a quarterly meeting to develop recommendations for promoting transparency between providers and DHHS staff, and for seeking improvement to the cost report audit and settlement process.

The bill also would require a change to existing Medicaid provider policy directly affecting nursing facility Medicaid cost reports to have a prospective effective date.

Senate Bill 1038 (S-1) would amend the Social Welfare Act to require the DHHS to do the following:

- Accept a Medicaid cost report filed by a nursing facility within 60 calendar days after the facility had filed the report.
- Ensure that a Medicaid cost report audit and settlement were complete within 21 months after the report was initially filed.
- Perform an on-site audit of a nursing facility at least once every four years, and a limited-scope audit in the years an on-site audit was not performed.
- Accept a cost report filed by a nursing facility, if an audit or settlement were not completed within 21 months, and move to settlement.
- Finalize all cost report audits and settlements within two years after the bill's effective date.
- Submit to the Legislature and the Senate and House Fiscal Agencies an annual report concerning the cost report audit and settlement process, beginning two years after the bill's effective date.

The bill also would require a nursing facility to make certain documentation available to an auditor.

Senate Bill 1039 (S-1) would amend the Social Welfare Act to require the DHHS to do the following:

- Ensure timely medical assistance eligibility determination.
- Submit to the Legislature, nursing facility trade associations, and the Senate and House Fiscal Agencies a quarterly report containing certain information.
- Establish a "Divestment Penalty Repayment Fund" to pay nursing facilities for care provided to residents while subject to a divestment penalty period.

The bill also would add requirements pertaining to the availability of an outstation worker, and the application of a court-ordered payment or garnishment.

Proposed MCL 400.111n (S.B. 1037)  
Proposed MCL 400.111m (S.B. 1038)  
Proposed MCL 400.105g (S.B. 1039)

Legislative Analyst: Stephen Jackson

### **FISCAL IMPACT**

The bills would lead to an increase in General Fund/General Purpose (GF/GP) costs, largely due to the creation of a \$3.0 million Divestment Penalty Repayment Fund and indeterminate increases in DHHS staffing and information technology costs needed to meet new nursing facility eligibility promptness standards. There also would be the potential for cost increases if the nonavailable bed plan policy increased the occupancy rate for low occupancy nursing homes, thus potentially increasing the per diem payments for such homes.

Senate Bill 1037 (S-1) would allow nursing facilities to remove beds from service for up to ten years. The nonavailable bed plan policy could result in low occupancy nursing homes, which would receive lower per diem rates, increasing their occupancy rate by removing beds from service and receiving greater per diem rates. The impact of this policy change would be indeterminate but potentially significant.

Senate Bill 1038 (S-1), which addresses nursing facility audits, would have a minor fiscal impact. There likely would be some marginal administrative savings for nursing facilities, including Medical care facilities. There would be the potential for further increased costs if the 21-month acceptance timeline outlined in subsection (7) expired and cost reports that otherwise would continue to go through a settlement process instead would have to be accepted as filed.

Senate Bill 1039 (S-1) would create a standard of promptness for Medicaid eligibility for those in nursing homes (90 days for disabled and 45 days for nondisabled individuals) and would outline procedures and practices to ensure timely eligibility determination. These would include additional staff dedicated to Medicaid nursing facility eligibility determination, implementation of an asset detection and verification process, and creation of a \$3.0 million Divestment Penalty Repayment Fund. The staffing increase would cost about \$55,000 GF/GP per FTE added. There also would be information technology costs related to the fund disbursement process. The implementation of an asset detection and verification process also would likely lead to marginal increases in administrative costs. The Fund would cost a maximum of \$3.0 million GF/GP per year (if the Fund were not fully claimed in a given year, the GF/GP costs could be lower in subsequent years as surpluses would carry over)

Date Completed: 9-10-18

Fiscal Analyst: Steve Angelotti

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Bill Analysis @ [www.senate.michigan.gov/sfa](http://www.senate.michigan.gov/sfa)

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