

Timothy Keck, Interim Secretary

Sam Brownback, Governor

To: Senate Ways and Means Committee

From: Kelli Ludlum, Assistant Secretary

Date: March 8, 2016

Subject: SB 457, Nursing home quality care assessment rate and sunset

Chairman Masterson and members of the Committee:

I appreciate the opportunity to present testimony regarding SB 457, legislation which will extend and modify the annual provider assessment on all licensed beds within Kansas skilled nursing care facilities. The current nursing facility provider assessment, which allows collection of up to \$1,950 per licensed bed, sunsets on July 1, 2016. KDADS supports removing or extending the sunset to preserve programs critical to Kansas nursing facilities.

If the provider assessment sunsets as currently scheduled, the resulting loss of state funds available for the nursing facility Medicaid reimbursement program would exceed \$22 million. At the current Federal Medical Assistance Percentages rate a total of more than \$50 million in all funds could be lost from the program. Such a significant loss of funds would require a reduction to Nursing Facility rates. That reduction would make it extremely difficult, if not impossible, for Kansas to continue a meaningful incentive program to reimburse facilities for specific quality indicators and overall operational efficiency. Currently, there is at least one nursing facility in each of Kansas' 105 counties. This level of access to care would be jeopardized if Medicaid rates are significantly reduced.

K.S.A. 75-7435 requires that KDADS facilitate the Quality Care Improvement Panel (QCIP) created in 2010. On February 11, 2016, the QCIP submitted its annual legislative report to the Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services and KanCare Oversight. A full copy of the report is attached for reference.

The QCIP considered several scenarios for the provider assessment, including:

- Sunset;
- Extension of 3, 4, or 5 years;
- Increasing the assessment to \$3,500 per bed with all other parameters held constant and rates adjusted by the trending factor to 5.68%;
- Increasing the assessment to \$3,483 to cover rebasing to 2012-2014 with inflation through December 31, 2014;
- Increasing the assessment to \$4,102 in order to rebase to 2012-2014 with inflation through December 31, 2015;
- Increasing the assessment to \$4,908 to allow rebasing to 2012-2014 with inflation through December 31, 2016.

Although the QCIP did not reach consensus, it approved two recommendations. First, the committee recommended continuation of the quality incentive program for four years, changing the sunset date to June 30, 2020. In addition, the QCIP recommended raising the quality care assessment to \$4,908 per licensed bed to fund a cost year rebase and inflation. Specifically, the increased assessment will allow the state to bring the cost base years from 2010-2012 to years 2012-2014, without impacting the state general fund. The QCIP does not take positions on legislation; however, both of these recommendations are consistent with the proposal in SB 457.

SB 457 would provide a four-year extension of the statutory sunset, to July 1, 2020. In addition, the bill would increase the maximum assessment to \$4,908 per licensed bed in skilled nursing facilities, generating estimated revenues of \$55.5 million to the KDADS Quality Care Fund. The provider assessment revenue would then be used as a match for federal Medicare monies based on the projected blended FMAP rate of 56.96% federal/44.04% state. Including the federal match, SB 457 would allow an increase in nursing facility reimbursement rates up to approximately \$126.2 million from all funding sources. The bill would require the full rebasing of reimbursement rates to utilize the additional bed assessment revenues.

While KDADS does not have a position on the provider assessment increase proposed in SB 457, we strongly support the extension included in the legislation.

Thank you for the Committee's time and consideration. I would be pleased to answer any questions you may have.