



WAHSA Legislative Briefing Summary

Assembly Bill 75: Nursing Facility Bed Tax Overview and Analysis

Nursing Facility Bed Tax Increase

Background:

- Wisconsin has had a nursing home bed tax since 1991-92. At that time, the tax was: **\$32/month** per occupied bed; a full “pass-thru” to homes; and exempted Medicare beds.
- For 2003-05, the federal government prohibited the full “pass-thru” to homes and the Governor proposed increasing the bed tax to **\$116/month** per licensed bed; the Legislature reduced the increase to **\$75**. Rate Increase: 2.6%
- For 2005-07, the Governor proposed increasing the bed tax to **\$125/month** and using ½ of the funds to cover Medicaid base funding. The Legislature rejected the bed tax increase and passed a GPR/FED funded 1.4% annual increase, which was subsequently vetoed by the Governor.

Nursing Facility Bed Tax Increase

Background (continued):

- In March, 2006, nursing homes were provided GPR/FED rate increases of .35% in 2005-06 and 2.8% in 2006-07. This marked the *first time GPR funds were used to fund Medicaid rates for nursing homes since the 1993-95 state budget*. Between 1993 and 2006, MA rate increases for nursing homes were funded solely through claiming federal funds from bed taxes, the intergovernmental transfer program and the governmental certified public expenditure (CPE) program.
- For 2007-09, the Governor proposed increasing the monthly bed tax to **\$101.10** in 2007-08 and to **\$125.33** in 2008-09. This increase was rejected and facilities received no increase in 2007-08 and a second-year GPR/FED funded increase of 5%, funded primarily by bed tax revenues not previously returned to the facilities (\$13.8 million).

Assembly Bill 75: Nursing Home Bed Tax Increases and Rate Adjustments

- The Governor's 2009-11 budget would double the bed tax to **\$150/month** in 2009-10 and raise it further to **\$170/month** in 2010-11, and provide nursing homes a 2% annual MA rate increase.
- In addition to self-funding the 2% annual rate increases, the ***majority of funds generated by the nursing home bed tax would fund Medicaid base expenses.***

AB 75 Bed Tax and Fund Use*

2009-10		2010-11	
<u>\$150/month Bed Tax</u>		<u>\$170/month Bed Tax</u>	
\$25 tax increase sub-total:	\$ 11,108,400	\$45 tax increase sub-total:	\$ 19,611,720
NF 2% Rate Increase:	<u>\$ 15,912,351</u>	NF 2% Rate Increase:	<u>\$ 31,019,584</u>
	\$ 27,020,751		\$ 50,631,304
\$50 tax increase sub-total:	\$ 22,216,800	\$50 tax increase sub-total:	\$ 21,790,800
Proceeds to Fund Base:	\$ 34,075,449	Proceeds to Fund Base:	\$ 32,235,416
\$75 tax increase total:	\$ 33,325,200	\$95 tax increase total:	\$ 41,402,520
New Funds Generated:	\$ 49,987,800	New Funds Generated:	\$ 63,255,000
Fund Base:	\$ 34,075,449 68%	Fund Base:	\$ 32,235,416 51%
Rate increase:	<u>\$ 15,912,351</u> 32%	Rate increase:	<u>\$ 31,019,584</u> 49%
New Funds Generated:	\$ 49,987,800 100%	New Funds Generated:	\$ 63,255,000 100%

**Fiscal impact shown without enhanced federal stimulus matching rate*

AB 75 Nursing Home Bed Tax*

- The monthly bed tax would increase by **\$75** in 2009-10 and by **\$95** in 2010-11; The proposed 2% rate increase would require a tax increase of “only” **\$25** and **\$45**, respectively.
- Of the nearly \$50 million in new funds generated by the bed tax in 2009-10, ***68% is used to fund Medicaid base expenses.*** In 2010-11, the split between funding the Medicaid base and the 2% rate increase is 51%-49%. Thus, many private pay residents will be taxed to pay for Medicaid base expenses.

****Fiscal impact shown without enhanced federal stimulus matching rate***

Replacing the Bed Tax Increase*

- The cost of funding a 2% nursing home rate increase would be \$6.4 million GPR in 2009-10 and \$12.3 million GPR in 2010-11 (i.e., no bed tax increase).
- The AB 75 bed tax increases would fund Medicaid base expenses equal to \$13.6 million GPR in 2009-10 and \$12.8 million GPR in 2010-11, or \$26.4 million GPR biennially. In total, revenues generated by the bed tax will pay for over \$66.3 million all funds in Medicaid base expenses under AB 75.

**Fiscal impact shown without enhanced federal stimulus matching rate*

Bed Tax Revenues & Enhanced Federal Match

- Because the recently passed federal stimulus legislation provides an enhanced federal Medicaid matching rate, the AB 75 bed tax increases are expected to generate greater revenues that shown in preceding table*.
- Using the higher federal matching rate, of the nearly \$71.5 million in new funds generated by the bed tax in 2009-10, **78% is used to fund Medicaid base expenses**. In 2010-11, the split between funding the Medicaid base and the 2% rate increase is 60%-40%.

**Enhanced federal match: Increased from 60% to 68.2% in 2009-10 and approximately 65% in 2010-11 under federal stimulus legislation*

Enhanced Federal Match Applied to Bed Tax Increases

2009-10		2010-11		
<u>\$150/month Bed Tax</u>		<u>\$170/month Bed Tax</u>		
Bed Tax Increased Revenues:	33,325,200	Bed Tax Increased Revenues:	41,402,520	
Federal Match (Before Stimulus):	<u>49,987,800</u>	Federal Match (Before Stimulus):	<u>63,255,013</u>	
TOTAL	83,313,000	TOTAL	104,657,533	
Bed Tax Increased Revenues:	33,325,200	Bed Tax Increased Revenues:	41,402,520	
Federal Match (After Stimulus):	<u>71,471,026</u>	Federal Match (After Stimulus):	<u>76,890,394</u>	
TOTAL	104,796,226	TOTAL	118,292,914	
Added Federal Match with Stimulus:	21,483,226	Added Federal Match with Stimulus:	13,635,381	
Fund Base:	55,558,675	78% Fund Base:	45,870,810	60%
Rate increase:	<u>15,912,351</u>	22% Rate increase:	31,019,584	40%
Federal Funds Generated:	71,471,026	Federal Funds Generated:	76,890,394	

AB 75: Provider Bed Tax and Medicaid Rate Increase Analysis - July 2009

		Net Gain (Loss) AB 75	Medicaid Per Day	Ave. Rate Increase	Net Medicaid Increase	Medicaid % Net Increase
	<u>NFs</u>	<u>Bed Tax Increase</u>	<u>Gain (Loss)</u>	<u>2.00%</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Not For Profit	126	\$ (432,364)	\$ (0.52)	\$ 2.60	\$ 2.08	1.61%
County	42	\$ 998,118	\$ 0.60	\$ 2.49	\$ 3.09	2.47%
For Profit	182	\$ (1,130,715)	\$ (0.68)	\$ 2.62	\$ 1.94	1.49%
Other Govt.	9	\$ 54,852	\$ 0.37	\$ 2.58	\$ 2.95	2.30%
Total	359	\$ (510,109)				
Average		\$ (1,421)	\$ (0.45)	\$ 2.60	\$ 2.15	1.67%

Medicaid Rates - Estimated Change to Rates - July 2009

		<u>Not-for-Profit</u>		<u>County</u>		<u>For Profit</u>		<u>Other Gov't</u>		<u>Total</u>	
		<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
<u>Rate Decreases:</u>											
	>2%	4		0		5				9	
	0% - 2%	<u>7</u>		<u>1</u>		<u>13</u>				<u>21</u>	
Total Decreases:		11	8.7%	1	2.4%	18	9.9%			30	8.4%
<u>Rate Increases:</u>											
	0% - 1.0%	13		0		16				29	
	1% - 1.5%	6		0		31		1		38	
	1.5% - 2.0%	28		5		48				81	
	2.0% - 3%	66		29		68		8	88.9%	171	
	> 3%	<u>2</u>		<u>7</u>	85.7%	<u>1</u>	37.9%			<u>10</u>	50.4%
Total Increases:		115	91.3%	41	97.6%	164	90.1%	9	100.0%	329	91.6%
Increases 0 to 2%:		47	37.3%	5	11.9%	95	52.2%	1	11.1%	148	41.2%
Increases <u>≥</u> 2%:		68	54.0%	36	85.7%	69	37.9%	8	88.9%	181	50.4%
Total NFs		126		42		182		9		359	

WAHSA Bed Tax and Rate Increase Analysis

- The average “net increase” (payback of the bed tax and assuming each home receives a 2% Medicaid rate increase in 2009-10) for all homes is 1.67%
- Overall, 50.4 % of all homes would receive a rate increase \geq 2%; 49.6% would receive less than 2% (8.4%, or 30 homes, would receive a net rate decrease).

Note: WAHSA’s analysis is based on data from 359 facilities included in the State MA database and excludes non-Medicaid certified facilities and ICF-MR facilities.

Nursing Home Funding Contributions*

*Wisconsin's Nursing facilities/ICFs-MR would fund nearly
\$111 million in state operating costs under AB 75:*

	<u>2009-10</u>	<u>2010-11</u>	<u>Biennium</u>
NF Bed Tax Increase used to Fund Medicaid Base (\$50/bed):	\$34,075,449	\$32,235,416	\$ 66,310,865
ICF-MR Bed Tax Increase used to Fund Medicaid Relocation Waiver :	\$ 267,600	\$ 296,800	\$ 564,400
Additional Certified Public Expenditures (CPE) used to Fund Medicaid Base*:	\$18,000,000	\$18,000,000	\$ 36,000,000
Additional CPE Funds used to Fund Family Care Expansion*	\$ 2,596,200	\$ 2,592,800	\$ 5,189,000
\$200 Nursing Home Survey Revisit Fee:	\$ 60,200	\$ 60,200	\$ 120,400
Eliminate the Nursing Home Appeals Board:	<u>\$ 1,331,710</u>	<u>\$ 1,331,710</u>	<u>\$ 2,663,420</u>
Total:	\$56,331,159	\$54,516,926	\$ 110,848,085

**These funds would otherwise be available to fund Medicaid losses incurred by local government operated nursing homes (primarily county homes)*

**Fiscal impact shown without enhanced federal stimulus matching rate*

The Wisconsin Association of Homes and Services for the Aging (WAHSA) is a statewide membership association of 200 not-for-profit long-term care organizations. WAHSA member corporations own, operate and/or sponsor 183 not-for-profit nursing homes, of which 41 are county-owned and operated, 9 facilities for the developmentally disabled (FDD), 76 community-based residential facilities (CBRF), 60 residential care apartment complexes (RCAC), and 113 senior apartment complexes, as well as community service programs ranging from home care, hospice, Alzheimer's support and child and adult day care to Meals on Wheels. Our members employ over 38,000 dedicated staff who provide care and services to over 48,000 residents and tenants.

For more information, please contact the WAHSA staff at (608) 255-7060: John Sauer, Executive Director (jsauer@wahsa.org); Brian Schoeneck, Director of Financial Services (bschoeneck@wahsa.org) and Tom Ramsey, Director of Government Relations (tramsey@wahsa.org).

www.wahsa.org