

## **Briefing Paper: Nursing Home Medicaid Rate Increase and Provider Bed Tax**

### **History**

Wisconsin established a provider assessment on nursing home beds in 1991-92. Until July, 2003, the bed tax was \$32/month per occupied nursing home bed, excluding Medicare residents, and \$100/month per occupied intermediate care facility for the mentally retarded (ICF-MR) bed.

Governor Doyle proposed in the 2003-05 budget to increase the bed tax to \$116/month per licensed nursing home bed and to \$435 per licensed ICF-MR bed in 2003-04 and \$445 per licensed ICF-MR bed in 2004-05. The Legislature reduced the bed tax to \$75/month per licensed nursing home bed and kept the Governor's recommendation for the increase for ICF-MR beds. The increase in the bed tax funded a 2.6% rate increase in 2003-04 and in 2004-05. The 2003-05 budget also contained a provision which diverts \$13.8 million annually of funds generated by the bed tax to the State's general fund rather than to fund nursing home rate increases.

Governor Doyle's 2005-07 budget would have increased the provider bed tax from \$75/month per licensed nursing home bed to \$125/month and from \$445/month per licensed ICF-MR bed to \$523/month in 2005-06 and \$587/month in 2006-07. These increases would have generated an additional \$30,047,200, of which approximately 50%, or \$15,023,600, would have been used to fund a 1.4% rate increase for nursing homes and ICFs-MR in each year of the biennium. The remaining \$15,023,600 would have been used to support non-nursing home Medicaid benefit costs. The Legislature did not support the increase in the provider bed tax for nursing homes and ICFs-MR; instead, the Legislature provided \$15 million in general purpose revenues (GPR) over the biennium to fund a 1.4% MA rate increase in each year of the biennium. That funding, however, was vetoed by the Governor, who said he could support the rate increase but only if it were funded by a bed tax increase. The Governor's veto was overridden in the Assembly, the first such override since 1990, but was sustained in the Senate.

In March, 2006, the Legislature overwhelmingly passed a bill, which the Governor signed into law, to provide a rate increase of .35% in 2005-06 and 2.8% in 2006-07. The rate increases were funded through State GPR funds, the first time GPR funds were used to fund Medicaid rates for nursing homes and ICFs-MR 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.



## **Governor Doyle's 2007-09 Budget Bill (Senate Bill 40)**

**Medicaid Bed Tax Increases:** Under SB 40, the \$75/bed/month nursing home bed tax would be increased to \$101.10 in 2007-08 and to \$125.33 in 2008-09. The increase is intended to fund an annual 2% increase in Medicaid nursing home rates for each year of the biennium. Administration officials have indicated that all new federal dollars generated from the bed tax increase would be used to fund the 2% annual increase.

Additionally, the bed tax for ICFs-MR would increase from \$445/month per licensed bed to a monthly per bed assessment amount, calculated by taking 5.5% of the projected aggregate annual revenues for ICFs-MR divided by the number of licensed ICF-MR beds and by 12 months. Under SB 40, the DHFS may reduce the assessment amount during any fiscal year to avoid collecting an amount during that year that exceeds 5.5%, the maximum level permitted under federal law. SB 40 also permits the DHFS to hold off calculating the ICF-MR bed assessment until October 1, 2007, or the first day of the 3<sup>rd</sup> month beginning after the effective date of the budget bill, whichever is later. The Governor's budget documents do not explain how he intends to spend the dollars raised by the ICF-MR bed tax increase.

Facilities with relatively low Medicaid census, low occupancy, and/or costs that exceed Wisconsin's shamefully low Medicaid reimbursement caps may receive little actual increase in their MA reimbursement rates under SB 40. {It should be noted that Wisconsin nursing facilities on average lose \$29.06 per day for each Medicaid resident they serve. For the average Wisconsin nursing home, that results in an annual loss of over \$620,000 to provide care to its Medicaid residents.} In fact, for some facilities, the rate increase received may not be enough to pay for the added bed tax and will result in an actual rate cut. In addition, nursing home residents in the 18 licensed, non-MA certified nursing homes in the state will receive no benefit from this tax increase and likely will pass on this tax to their private pay residents. **Even with the 2% increase in Medicaid nursing home rates proposed in SB 40, overall facility Medicaid losses will rise in 2007-09 since the 2% increase is insufficient to match facilities' projected 4-5% increase in operational expenses.** Further, WAHSA estimates that while 53% of the State's nursing homes will receive a Medicaid rate increase of at least 2% in 2007-08, the combined impact of the bed tax increase and the 2% rate increase will result in an overall facility MA rate increase of only 1.88% (see attached).

## **WAHSA Position**

WAHSA, as a member of the Wisconsin Long Term Care Workforce Alliance, had requested that the Governor increase Medicaid provider rates by 5% in each year of the biennium. WAHSA specifically requested that these increases be funded by an increase in the cigarette tax or other general purpose revenues. WAHSA has not yet taken a position on the recommended bed tax increase or the proposed 2% Medicaid rate increase. Further analysis of the impact of these changes on member facilities is needed before an association position can be taken.

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