



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number: LLS 20-1047 Date: March 4, 2020
Prime Sponsors: Sen. Sonnenberg Bill Status: Senate HHS
Rep. Pelton Fiscal Analyst: Max Nardo | 303-866-4776
Max.Nardo@state.co.us

Bill Topic: REIMBURSEMENT RATES ALTERNATIVE CARE FACILITIES

- Summary of Fiscal Impact:
- State Revenue
- TABOR Refund
- State Expenditure
- Local Government
- State Transfer
- Statutory Public Entity

The bill requires the state to increase reimbursements for secure alternative care facilities. It increases state expenditures on an ongoing basis.

Appropriation Summary: For FY 2020-21, the bill requires an appropriation of \$366,324 to the Department of Health Care policy and Financing.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 20-173

Table with 5 columns: Category, FY 2020-21, FY 2021-22, FY 2022-23. Rows include Revenue, Expenditures (General Fund, Federal Funds, Total), Transfers, and TABOR Refund.

Summary of Legislation

The bill directs the State Board of Medical Services (board) to adopt rules to increase Medicaid reimbursement for secure alternative care facilities (ACF) with higher staffing ratios in order to serve individuals requiring memory care. The board is directed to engage stakeholders to assist in determining the appropriate level of reimbursement to achieve the increases in capacity needed to serve the state's needs. The Department of Health Care Policy and Financing (HCPF) is directed to seek any federal authorization necessary to receive federal financial participation.

Background

An ACF is a state-certified residential facility which provides a specified package of personal care and homemaker services and protective oversight to eligible individuals. ACF services are available to Medicaid clients enrolled in the Elderly, Blind, and Disabled waiver, the Community Mental Health Supports waiver, and the Medicaid Buy-in Program, and that are assessed as requiring a nursing home level of care. Medicaid reimbursement for ACF services is currently \$65.55 per day. In FY 2018-19, expenditures for ACFs totaled \$58.2 million, with an average length of stay of 267 days for 4,309 clients.

Staffing requirements for ACFs are established in rule by the board. For ACFs that are not designated as secure environments, current rule requires a ratio of one staff to ten residents during the day, and one staff to sixteen residents during the night. There are currently sixteen secure ACFs in the state certified by Medicaid.

Assumptions

The fiscal impact of the bill is based on the following assumptions:

- the daily rate for secure ACFs will increase by \$98 to \$164 (roughly 150 percent);
- utilization rate for the 559 current Medicaid clients enrolled in ACFs who qualify for placement in a secure ACF will increase by 5 percent in year one, increasing to 10 percent in year three;
- average length of stay will remain unchanged at 267 days; and
- the federal waiver will be approved to allow for an implementation date of January 1, 2021.

State Expenditures

The bill increases state expenditures in HCPF by an estimated \$366,324 in FY 2020-21, \$1,020,474 in FY 2021-22, and \$1,465,296 in FY 2022-23, split evenly between General Fund and federal funds. Costs and estimated utilization of secure ACFs are shown in Table 2 and described below. These costs may be offset by reduced expenditures on long-term care at nursing facilities, though these potential reductions are not estimated for the fiscal note.

**Table 2
 Expenditures Under SB 20-173**

Fiscal Year	Eligible Clients in ACFs	Estimated Utilization	Secure ACF Placements	Increased Cost Per Day	Avg. Length of Stay (days)	Total Cost
FY 2020-21*	559	5 percent	28	\$98	267	\$366,324
FY 2021-22	559	7 percent	39	\$98	267	\$1,020,474
FY 2022-23	559	10 percent	56	\$98	267	\$1,465,296

* FY 2020-21 costs are prorated to reflect an implementation date of January 1, 2021.

Implementation costs. Costs to implement the bill will depend on the reimbursement rate established by the board and the actual utilization of secure ACF services. The estimates provided in the fiscal note are based on the assumptions stated above. Depending on the level of demand for these services and the capacity of providers to accept new clients, utilization could be greater than estimated in the forecast period, and greater still in subsequent years. In addition, the reimbursement rate adopted by the board could differ from the estimate provided. As such, appropriations for FY 2021-22 and future years will be established through the annual budget process.

Workload associated with stakeholder engagement, a waiver application, and rulemaking in HCPF can be accomplished within existing appropriations.

Offset nursing facility costs. Secure ACFs can be an alternative to nursing facilities for certain clients, which would result in savings due to lower costs of these facilities. A specific caseload shift is not estimated in the fiscal note. For informational purposes, Medicaid currently reimburses \$205 to \$245 per day for skilled nursing facilities, with a total enrollment of 10,100 clients. Based on the assumed secure ACF reimbursement rate of \$164, the state saves at least \$41 per day for an individual that would otherwise enroll in a skilled nursing facility, compared to spending an additional \$98 for an individual that would otherwise be enrolled in an ACF that is not designated as secure. Should such reductions in expenditures be realized, funding adjustments will be made through the annual budget process.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2020-21, the bill requires an appropriation of \$366,324 to the Department of Health Care Policy and Financing. Of this amount, \$183,162 is General Fund and \$183,162 is federal funds.

State and Local Government Contacts

Health Care Policy and Financing

Public Health and Environment