

FISCAL NOTE
[First Reprint]
SENATE, No. 2813
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: AUGUST 31, 2020

SUMMARY

Synopsis: Authorizes temporary rate adjustment for certain nursing facilities; appropriates \$62.3 million.

Types of Impact: One-year increases in the expenditures and revenues of the State and certain county governments.

Agencies Affected: Department of Human Services; Department of Health; certain county governments.

Executive Estimate

Fiscal Impact	<u>October 1, 2020 – June 30, 2021</u>
State Expenditure Increase	\$130 million
State Revenue Increase – Federal Medicaid Matching Funds	\$68 million

Office of Legislative Services Estimate

Fiscal Impact	<u>October 1, 2020 – June 30, 2021</u>
State Expenditure Increase	\$130 million
State Revenue Increase – Federal Medicaid Matching Funds	\$68 million
County Expenditure Increase	Indeterminate
County Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) **concurs** with the Executive estimate that the State will incur \$130 million in expenses, matched by \$68 million in federal Medicaid funds, in implementing a temporary Medicaid rate increase for certain nursing facilities, as outlined in the bill.
- The OLS adds that nursing homes operated by certain county governments will experience an indeterminate increase in revenue due to the temporary Medicaid rate enhancement. Such

facilities may also incur additional expenses due to the adherence to certain reporting requirements and infection control protocols, described under the bill, to the extent that the facilities do not currently comply with these provisions.

- The OLS assumes that the Department of Human Services (DHS) and the Department of Health (DOH) will perform the additional administrative responsibilities required under the bill within their existing resources.

BILL DESCRIPTION

Subject to any necessary federal approvals, this bill sets the Medicaid reimbursement rate a nursing facility will receive for the period from October 1, 2020 through June 30, 2021 at the rate the facility will receive on September 30, 2020 plus a 10 percent adjustment. Facilities must use at least 60 percent of the rate adjustment to increase the wages of or provide supplemental pay for certified nurse aides providing direct care. The remainder must be used for coronavirus disease 2019 preparedness and response. To fund the rate adjustment, the bill appropriates \$62.3 million from the General Fund.

Any facility receiving the rate adjustment will be required to provide wage and cost data to the DHS, and attestations from the facility owner to the DOH of adherence to certain infection control protocols.

The State may recoup a nursing facility's rate adjustment if the facility is cited by the DOH for two repeat infection control violations between October 1, 2020 and June 30, 2021, or if the facility fails to meet any of the requirements set forth in the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Executive has not submitted a formal fiscal note for this bill. However, according to an August 10, 2020 DHS press release, increasing Medicaid nursing facility rates as outlined in the bill would cost \$130 million. Of that total, \$62 million would be allocated to State funding and \$68 million to federal matching funds.

OFFICE OF LEGISLATIVE SERVICES

The OLS concurs with the Executive estimate that the State will incur \$130 million in expenses, matched by \$68 million in federal Medicaid funds, in implementing a temporary Medicaid rate increase for certain nursing facilities, as outlined in the bill, from October 1, 2020 through June 30, 2021. But the OLS adds that counties that operate nursing facilities will also experience temporary revenue and expenditure increases as a result of this bill.

Based on evaluation data in the Governor's FY 2019 Budget, the last Governor's Budget to display certain evaluation data for nursing home residents, the OLS estimates that the rate increase would cost the State \$132.7 million, matched by \$69.0 million in federal Medicaid funds. As such, the OLS concludes that the Executive estimate is reasonable.

The OLS notes that the Executive and OLS estimates are based on a federal Medicaid matching rate of 56.2 percent from October 1, 2020 through December 31, 2020, and a 50.0 percent rate

from January 1, 2021 through June 30, 2021. The federal “Families First Coronavirus Response Act” temporarily raised the State’s federal matching percentage from 50.0 percent to 56.2 percent. The OLS is unable to determine the exact duration of this policy, as it is to terminate on the last day of the calendar quarter in which the public health emergency declared by the United States Secretary of the Department of Health and Human Services ends. If the 6.2 percent increase expires sooner, a higher than estimated share of the bill’s total cost will be borne by the State. Conversely, if the higher percentage expires later, the federal cost share will grow and the State cost share will shrink relative to the estimated cost allocations.

In addition, as Medicaid is an entitlement program, actual expenditures may differ according to the number of beneficiaries in the Medicaid program who receive nursing home services. Generally, more beneficiaries than estimated will increase the State cost and federal revenue, while fewer beneficiaries will decrease both.

The OLS assumes that any administrative costs experienced by the DHS to implement the temporary rate increase or by the DOH to monitor nursing home compliance with certain infection control protocols will be absorbed by each department’s existing resources, as such responsibilities are within the scope of the departments’ general administrative functions.

Lastly, in addition to the State costs and federal revenues discussed by the Executive, the OLS concludes that nursing homes operated by certain county governments will experience an indeterminate increase in revenue due to the temporary Medicaid rate enhancement. Such facilities may also incur additional expenses due to the adherence to certain reporting requirements and infection control protocols, described under the bill, to the extent that the nursing homes do not currently comply with these provisions. Currently, there are nine county facilities: three in Bergen County; two in Middlesex County; and one each in Atlantic County, Cape May County, Gloucester County, and Passaic County.

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This fiscal note has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).