

Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: December 16, 2010

SUBJECT: Fiscal Impact Statement – “Medicaid Reimbursement for Nursing Facilities Approval Resolution of 2010”

REFERENCE: Draft Legislation—No Bill Number Available

Conclusion

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed resolution. The proposed resolution would result in estimated local savings of \$792,940 in FY 2011 and \$3.8 million over the FY 2011 through FY 2014 financial plan period.

Background

Each nursing facility in the District that participates in the Medicaid program is reimbursed at a facility-specific per diem rate. This facility-specific per diem rate takes into account the facility's case mix and the annual inflation adjustment provided by the Centers for Medicare and Medicaid Services (CMS)¹ for each fiscal year.

The proposed resolution would approve² the proposed amendment to the District of Columbia State Plan for Medical Assistance that would eliminate the annual inflation adjustment for nursing home per diem reimbursement rates as of October 1, 2010. Thus, this change would be effective for

¹ Specifically, CMS uses a Skilled Nursing Facility Prospective Payment System (PPS) market basket to measure inflation for each fiscal year. See <https://www.cms.gov/SNFPPS/> for more information. The inflation rate was 3.4 percent in FY 2009, 2.2 percent in FY 2010 and 1.7 percent in FY 2011.

² Pursuant to section 1(a) of An Act to Enable the District of Columbia to receive federal financial assistance under Title XIX of the Social Security Act for a medical assistance program, and for other purposes, approved December 27, 1967 (81 Stat. 744; D.C. Official Code § 1-307.02).

services rendered since the start of fiscal year 2011 and would continue to apply in future fiscal years.

Financial Plan Impact

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed resolution. The proposed resolution would result in estimated *local* savings of \$792,940 in FY 2011 and \$3.8 million over the FY 2011 through FY 2014 financial plan period. The total amount paid to nursing homes for the annual inflation adjustment is over \$3 million each year; however, the federal government reimburses the District for 70 percent of these payments. In FY 2011, the average reimbursement rate is 75 percent due to federal stimulus funds and as a result, the local savings in FY 2011 are lower than in the out-years.

| Fiscal Impact of Eliminating the Annual Inflation Adjustment for Nursing Homes FY 2011- FY 2014 | | | | | |
|--|------------------|------------------|------------------|--------------------|----------------------------|
| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | Four-Year Total |
| Amount of Inflation Adjustment Under Current Law* | \$3,167,642 | \$3,230,995 | \$3,295,615 | \$3,361,527 | \$13,055,780 |
| Local Portion/ Local Savings Under Proposed Resolution | \$792,940 | \$969,299 | \$988,685 | \$1,008,458 | \$3,759,381 |

* The inflation adjustment amount for FY 2011 is actual; the other amounts are estimated based on an assumed annual inflation rate of 2 percent.