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: JUN 29 2007

SUBJECT: **Fiscal Impact Statement – "Stevie Sellows Intermediate Care Facility for the Mentally Retarded Quality Improvement Fund Resolution of 2007"**

REFERENCE: **Draft Bill - No Number Available**

Conclusion

Funds are sufficient in the FY 2007 budget and the proposed FY 2008 through FY 2011 budget and financial plan to implement the proposed resolution. The proposed 2% rate increase for per-diem payments to Intermediate Care Facilities for the Mentally Retarded (ICF/MRs) would be funded through the provider tax on said facilities. This rate increase is not expected to have a net negative fiscal impact on the District, because payments to ICF/MRs would still come from the provider-supported Quality Improvement Fund. Effectively, the proposed resolution would replace 100% provider funding for quality care improvements at ICF/MRs with Medicaid dollars.[1] Any additional incidental or administrative costs can be absorbed with existing agency resources.

Background

The proposed State Plan Amendment (SPA) relates to the implementation of the Stevie Sellows Intermediate Care Facility for the Mentally Retarded (ICF/MR) Quality Improvement Act of 2005 ("Act"), which establishes the Stevie Sellows Quality Improvement Fund ("Fund") to pay for quality of care improvements in ICF/MRs.

[1] Traditionally, the District's share of funding for Medicaid programs is 30 percent, and the Federal government contributes a 70% match. As is the case currently, the District's share would still come entirely from providers. Under the proposed resolution however, the Fund would also include a 70% match from the federal government. Therefore, the federal government's match would effectively pay for the 2% increase in the per-diem rate paid to providers.

Specifically, the proposed resolution would replace 100% provider funding for quality of care improvements at ICF/MRs with Medicaid dollars. It would also increase the District's per diem rate paid to ICF/MRs by 2%.

Financial Plan Impact

Funds are sufficient in the FY 2007 budget and the proposed FY 2008 through FY 2011 budget and financial plan to implement the proposed resolution.

The Quality Improvement Fund is supported through a tax on ICF/MRs' total revenues. The monies collected each year from this provider tax would be designated as the District's local share for participation in the federal Medicaid program run by the U.S. Department of Health and Human Services (HHS), Centers for Medicaid and Medicare Services (CMS). Traditionally, the District's share of funding for Medicaid programs (such as this) is 30 percent, and the Federal government contributes a 70 percent match.

The 2% rate increase in the per diem payment to providers[2] is not expected to have a net negative fiscal impact on the District, because the savings generated through the availability and use of Medicaid dollars—as opposed to 100% provider dollars—will offset the rate increase paid to providers by the District out of the Fund. In effect, the local cost of implementing this rate increase comes entirely from the provider tax collected from the participating providers. Please refer to footnote #1 for a further explanation.

The provider tax will be levied in this manner:*

Estimated FY 2006 revenues of all ICF/MR providers	$68,508,555
Tax rate**	1.5%
Estimated collections (designated as local match)	$ 1,027,628
Estimated federal match (70%)	$ 2,397,798

* Collection amounts will change as ICF/MR provider revenues change. As an estimation of such changes for out-years is difficult to quantify, this table assumes stable provider revenues (and collections) through FY 2011 (the last FY considered in this statement).

** The tax rate is set by Council rules and is only subject to change through Council action.

[2] Currently, the average per diem rate paid to providers is approximately $300.