

SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL

FISCAL NOTE, 2017 LEGISLATIVE SESSION

FISCAL NOTE 2017-SB57A

SB 57, An Act to authorize the operation of a nursing home facility in Eagle Butte, South Dakota, and to declare an emergency.

Senate Bill 57 would allow a new nursing home to be operated and maintained on the Cheyenne River Indian Reservation, located in Eagle Butte, South Dakota. The facility shall meet the specifications for a licensed nursing facility in order to participate in the Medicaid program. The number of nursing facility beds in the new facility may not exceed fifty.

Medicaid pays for approximately 55% of nursing facility residents in South Dakota. The state's methodology of reimbursing nursing facilities for Medicaid eligible residents pays a daily rate unique to each nursing facility resident. Rates for residents with special or heavy care needs are higher while those with less needs are lower. This methodology is referred to as a "case mix methodology."

In addition to the individual resident assessment, a cost report is submitted annually to the state by the facility and is subject to review. The cost report includes the number of residents served during the year. Limitations are applied to allowable costs based on a comparison of costs among all facilities in the categories of administration, direct care, non-direct care, capital, occupancy, and overall costs.

A minimum occupancy level based on licensed beds is imputed for providers when actual occupancy falls below the statewide average. This creates an incentive for providers to align licensed bed capacity closely to actual occupancy.

Each facility receives a specific direct care and non-direct care rate based on cost reports. When facilities are reimbursed for services, the direct care component of the rate is multiplied by the resident's case mix score resulting in an individualized rate for each resident based on their specific care needs. The total rate is calculated by:

Facility Direct Care Rate x Resident Case Mix + Facility Non Direct Care Rate = Total Rate Per Day.

The bill does not modify Medicaid income eligibility, nor does it change nursing home level of care eligibility. According to occupancy reports posted and updated weekly on the South Dakota Department of Social Services website (<https://dss.sd.gov/docs/asa/rptoccupancyreport.pdf>), there is no waiting list for nursing facility services in South Dakota. The additional beds authorized by this act would allow eligible clients to receive skilled nursing care closer to their home community and would not increase the number of clients receiving skilled nursing care paid for by Medicaid.

Minor cost variations per Medicaid eligible resident could arise due to differences in the facility rates of the nursing home facilities where clients would have received care compared to the facility rates of the new facility authorized in the bill. However, it is not possible to predict whether or not any residents shifting from other facilities will be coming from higher or lower cost facilities.

As a result, it is the opinion of the Legislative Research Council that this bill will have little to no impact on revenues, expenditures, or fiscal liability of the state.

APPROVED BY: /S/ Jason Hancock, LRC Director DATE: 1/27/2017