

HEALTH CARE FACILITY UTILIZATION FEES

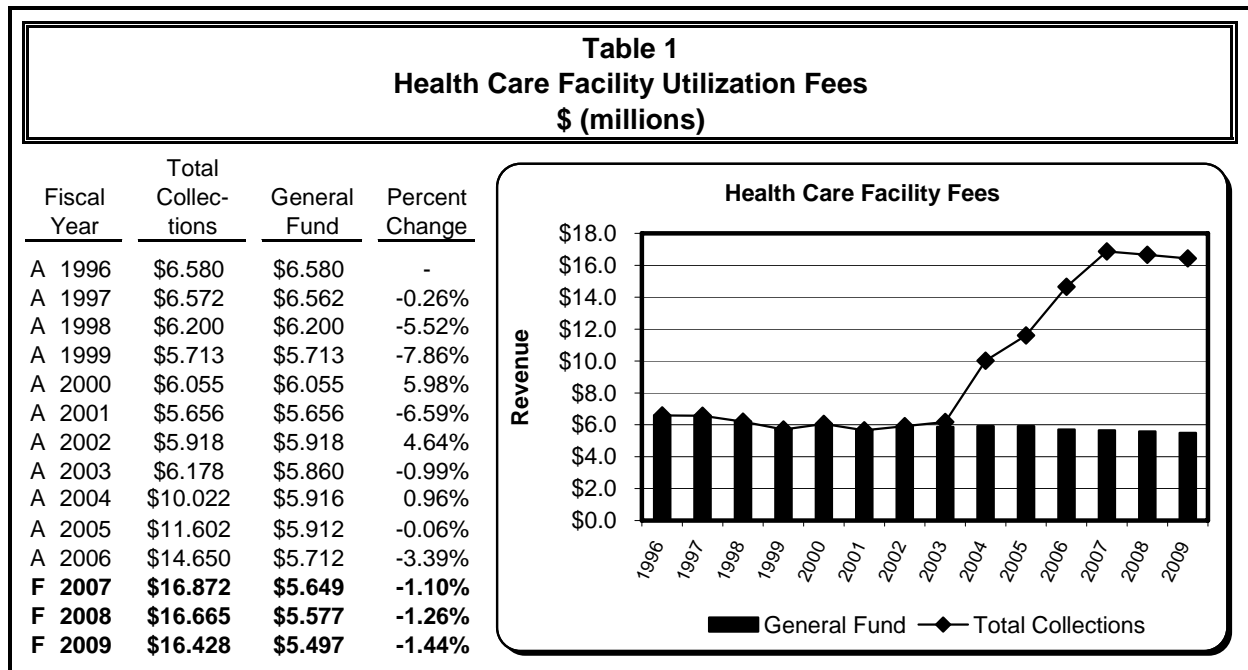
Revenue Description

Montana imposes fees per bed day on nursing facilities and intermediate care facilities for the developmentally disabled. The fee for nursing facilities was \$2.80 per bed day through FY 2002. The fee was raised to \$4.50 in FY 2003, to \$5.30 in FY 2005, and to \$7.05 in FY 2006. In FY 2007 it will be \$8.30 (15-60-102, MCA). Through FY 2002, all fees were allocated to the general fund. Beginning in FY 2003, \$2.80 of the fee per day is allocated to the general fund and the remainder is allocated to a state special revenue fund.

The fee for intermediate care facilities for the developmentally disabled is 6% of revenue (15-67-102, MCA). Fees collected from the facilities operated by the Department of Public Health and Human Services are allocated 30% to the general fund and 70% to the prevention and stabilization special revenue fund.

Historical and Projected Revenue

Table 1 shows health care facility fee collections from FY 1996 through FY 2006 and projections for FY 2007 through FY 2009.



General fund revenue care facility fees are forecast to decrease by 1.10% in FY 2007 to \$5.649 million, decrease by 1.26% in FY 2008 to \$5.577 million, and decrease by 1.44% in FY 2009 to \$5.497 million. The decrease in general fund revenue over the forecast period is primarily due to the decline in bed days at non-state nursing facilities. Health care facility

utilization fees are forecast to increase from \$14.65 million in FY 2006 to \$16.872 million in FY 2007 because of the increase in the facility fee and allocation of the increased fee revenue to the nursing facilities fee account (HB 749, 2005 Session). Health care facility fees are forecast to decline to \$16.665 million in FY 2008 and to \$16.428 million in FY 2009.

Background

Nursing facility fees were enacted in HB 93 of the 1991 Session. The fee was \$1 per bed day for FY 1992 and \$2 per bed day for FY 1993 and applied only to bed days reimbursed by a third-party payer, such as insurance or a public assistance program. All revenue was deposited in the general fund. HB 333 (1993 Session) applied the fee to all bed days beginning in FY 1994. HB 333 also raised the fee to \$2.80 beginning in FY 1995, and allocated all revenue to the nursing facilities fee state special revenue account. SB 83 (1995 Session) allocated all revenue to the general fund beginning in FY 1996.

The 2003 Legislature passed three bills that changed health care facility fees. HB 705 set the nursing facilities fee at \$4.50 in FY 2004 and \$5.30 beginning in FY 2005 and allocated the additional revenue to the nursing facilities fee account. HB 743 made the Montana Mental Health Nursing Care Center subject to the nursing facility fee and allocated 30% of fees from this facility to the general fund and 70% to a new prevention and stabilization account. HB 722 created a new fee equal to 5% of charges for care that applied only to the Montana Developmental Center. The revenue from the new fee is allocated 30% to the general fund and 70% to the prevention and stabilization fund.

In 2005 the Legislature passed two bills, HB 749 and SB 82, which changed health care facility fees. HB 749 increased the facility bed tax to \$7.05 per day in FY 2006 and to \$8.30 per day in FY 2007. The increased revenue from fees collected from non-state facilities is allocated to the nursing facilities fee account. SB 82 increased the bed tax on intermediate facilities for the developmentally disabled from 5% to 6% and amended the definition of facilities to which the 6% bed tax applies to include intermediate care facilities for the mentally retarded. SB 82 was effective immediately on passage and was retroactive in its effect, back to the beginning of tax year 2005.

Forecast Methodology and Projection Calculation

Revenue is estimated separately for fees from private nursing homes, the Montana Mental Health Nursing Care Center (MMHNCC), and the Montana Developmental Center (MDC). The estimate is based on forecast bed days for the MMHNCC and budget estimates for the MDC provided by the DPHHS. Forecast bed days for non-state owned facilities are based on the historic trend.

Non-State Facilities

Table 2 shows taxable bed days for non-state facilities in FY 1996 through FY 2006 and projected bed days for FY 2007 through FY 2009.

Bed days at private nursing homes and public nursing homes other than the MMHNCC and the MDC have been decreasing over time as other options have become available for persons who need some assistance, but do not require full-time nursing care. From FY 1996 through FY 2006, taxable bed days declined at an average rate of 2.04%. However, beginning in 2001 the rate of decline slowed and the average rate of decline over the period from 2001 through 2006 is 1.57%. Bed days are projected to continue to decline at the rate of 1.57% per year in FY 2007 through FY 2009.

Fiscal Year	Taxable Bed Days	Percent Change
A 1996	2,364,601	-
A 1997	2,307,955	-2.40%
A 1998	2,242,418	-2.84%
A 1999	2,160,188	-3.67%
A 2000	2,113,805	-2.15%
A 2001	2,083,501	-1.43%
A 2002	2,072,696	-0.52%
A 2003	2,078,448	0.28%
A 2004	2,008,017	-3.39%
A 2005	1,979,893	-1.40%
A 2006	1,924,611	-2.79%
F 2007	1,894,318	-1.57%
F 2008	1,864,501	-1.57%
F 2009	1,835,154	-1.57%

Table 3 shows revenue from the bed days projected in Table 2. General fund revenue is calculated by multiplying bed days by \$2.80 which is the general fund portion of the per bed day fee. Revenue to the nursing facility utilization fee account is calculated by multiplying bed days by \$5.50, the portion of the fee dedicated to this account.

Fiscal Year	Bed Days	General Fund		Nursing Facility Utilization Fee Account	
		Fee per Bed Day	Collections	Fee per Bed Day	Collections
F 2007	1,894,318	\$2.80	\$5,304,090	\$5.50	\$10,418,747
F 2008	1,864,501	\$2.80	\$5,220,603	\$5.50	\$10,254,757
F 2009	1,835,154	\$2.80	\$5,138,431	\$5.50	\$10,093,347

Revenue is declining over the forecast period because fewer bed days are estimated.

State Facilities

Table 4 shows revenue from the Montana Mental Health Nursing Care Center (MMHNC). Bed days are forecast by the Department of Public Health and Human Services, which operates the facility. Total collections equal the number of bed days multiplied by the fee per bed day of \$8.30. Thirty percent of collections are allocated to the general fund and 70% are allocated to the prevention and stabilization account.

Table 4 Nursing Facility Utilization Fee - MMHNCC						
<u>Fiscal Year</u>	<u>MMHNCC Bed Days</u>		<u>Fee per Bed Day</u>	<u>Total Collections</u>	<u>General Fund (30%)</u>	<u>Prevention and Stabilization (70%)</u>
F 2007	29,273	x	\$8.30	= \$242,966	\$72,890	\$170,076
F 2008	29,353	x	\$8.30	= \$243,630	\$73,089	\$170,541
F 2009	29,273	x	\$8.30	= \$242,966	\$72,890	\$170,076

The Montana Developmental Center is the only facility subject to the intermediate care facility utilization fee. The fee is 6% of the cost of care billed to residents and third parties.

Table 5 shows revenue from the Montana Developmental Center. The cost of care is estimated by the Department of Public Health and Human Services, which operates the facility, based on planned numbers of residents and expected costs. Thirty percent of collections are allocated to the general fund and 70% are allocated to the prevention and stabilization account.

Table 5 Intermediate Care Facility Utilization fee						
<u>Fiscal Year</u>	<u>MDC Cost of Care</u>		<u>Tax Rate</u>	<u>Total Collections</u>	<u>General Fund (30%)</u>	<u>Prevention and Stabilization (70%)</u>
F 2007	\$15,104,377	x	6%	\$906,263	\$271,879	\$634,384
F 2008	\$15,762,921	x	6%	\$945,775	\$283,733	\$662,043
F 2009	\$15,883,530	x	6%	\$953,012	\$285,904	\$667,108

Total Collections

Total collections for each fund are calculated by summing the collections from non-state facilities, shown in Table 3, and collections from the two state facilities, shown in Tables 4 and 5. Table 6 shows total projected collections for each fund and the total for all funds.

Table 6
Total Health Care Facilities Utilization Fee Collections
(\$ million)

Fiscal Year	General Fund		Nursing Facility Utilization Fee Account		Prevention and Stabilization Account		Total Collections
F 2007	\$5.649	+	\$10.419	+	\$0.804	=	\$16.872
F 2008	\$5.577	+	\$10.255	+	\$0.833	=	\$16.665
F 2009	\$5.497	+	\$10.093	+	\$0.837	=	\$16.428

The general fund forecast is \$5.649 million in FY 2007, \$5.577 million in FY 2008, and \$5.497 in FY 2009. General fund revenue decreases as non-state facilities bed days are expected to decrease 1.57% each year.

Data Sources

Past collections are from the state accounting system. Past bed days are from the Department of Revenue as reported on tax returns. Future bed days and cost of care at MMHNCC and MDC are from the Department of Public Health and Human Services.