EXHIBIT 5
DATE 3/14/05
HB 749

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HOUSE APPROPRIATIONS COMMITTEE

HOUSE BILL 749
NURSING HOME USER FEE INCREASE

March 14, 2005

For the record, I am Rose Hughes, Executive Director of the Montana Health Care Association. I am offering this testimony on behalf of our member nursing homes throughout the state of Montana.

We are here to talk to you about House Bill 749 and the need for adequate funding of nursing home services for Medicaid beneficiaries. Because Medicaid funds over 60% of all nursing home services, it is the single largest source of revenue to our facilities. This means that our Medicaid rates dictate the quality of services we can provide to the elderly in our care - our Medicaid rates dictate how many staff we can hire, what we can pay them, and how much training we can provide. Our Medicaid rates are not sufficient to fund the quality of care government regulators demand or that we, ourselves, would want for our loved ones. This means we will continue to shift Medicaid costs to our private pay patients. Of course, the more we shift costs to these people, the sooner they spend down their assets and become eligible for Medicaid.

Cost vs. Rate. The Medicaid program pays nursing homes less than the actual allowable costs–as defined by DPHHS–for caring for each Medicaid beneficiary. And, those patients who pay for their own care pay more than the cost of care–to make up for what Medicaid doesn't pay. For the current fiscal year, the numbers are:

Average Medicaid rate:	$128.02/day (includes IGT funding of $6.50/day)
Average cost per day:	$131.64/day
Average loss per day on Medicaid:	$ 3.62/day

Based on HB 2 in its current form, the gap between cost and rate would increase to about $9 per patient day for FY 06 and to about $15 per patient day for FY 07. HB 749 would close that gap – it will raise sufficient funds to increase rates about $9.79 for FY 06 and $16.60 in FY 07.

Critical need for Medicaid to pay its fair share of the cost of care. Montana's nursing

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homes are struggling to provide good care and keep their doors open. They are coping with a staffing shortage of crisis proportions and face other numerous challenges which make it more important than ever that Medicaid pay the cost of care for Medicaid beneficiaries.

State's financial condition. The state's financial condition means that it is unlikely that there will be state general funds available to provide additional nursing home rate increases over the next biennium. Without additional funding, Medicaid rates are projected to be about $15 per patient day less than the actual cost of providing care by the end of the 2007 biennium.

What does HB 749 do? The key provisions of this bill are:

1. The utilization fee increases by $1.75 (from $5.30 per nursing home bed day to $7.05 per bed day) effective July 1, 2005 and by an additional $1.25 (from $7.05 to $8.30 per bed day) effective July 1, 2006.

2. Distribution of the current user fee will continue as it is currently – with $2.80 of the fee going to the state general fund to be used to maintain the current base rate paid to nursing homes and the balance going to a state special revenue account to be used only to increase medicaid rates to nursing facilities. The proposed fee increases ($1.75 in FY 06 and an additional $1.25 in FY 07) will also go to the state special revenue account to be used for nursing home rate increases.

3. The money in the special revenue account as well as the federal matching funds are appropriated to the Department of Public Health and Human Services to be used to fund increases in medicaid payments to nursing facilities. Only the new fee increases are appropriated in HB 749 - all current fees are appropriated through HB 2.

4. If the money in the special revenue account exceeds the amounts appropriated in the bill, the money remaining in the account may not be expended or transferred for any other purpose and will be available to be appropriated by a subsequent legislative session for rate increases to nursing homes.

5. A nursing facility may not place the user fee on a patient's bill.

The original purpose of the nursing home user fee–as stated in the statement of intent that was included in the original legislation in 1991–was to "relieve privately paying individuals in nursing homes from the burden of costs shifted from the Medicaid program and of maximizing federal funding of this program." Increasing this fee at this time and using it for rate increases to nursing homes is totally consistent with the purpose for which this fee was created.

We are attaching additional information to this testimony to help address questions you may have and to provide perspective on our support of this fee.

We urge you to support HB 749.

NURSING HOME BED TAX

FY 06

$121.52	FY 05 average rate (also receive IGT which is at risk for FY 06)
+2.98	HB 2 - I-149 - 3% provider rate increase
+1.15	HB 2 - I-149 - direct care wage increase (21 cents)
+4.25	HB 2 - subcommittee action - direct care wage increase (79 cents)
$129.90	funding for FY 06 contained in HB 2
+9.79	06 nursing home bed tax (increased by $1.75 ppd) - HB 749
$139.69	average rate for 06
$139.58	average cost of care for 06 (based on 3.9% inflation + new tax; does not include cost increase attributable to raising direct care wage)
139.69	average rate for 06
$ .11	average rate over cost per patient day
$?	lump sum IGT payment to county and non county facilities

FY 07

$121.52	FY 05 average rate (also receive IGT which is at risk for FY 06 and 07)
+2.98	HB 2 - I-149 - 3% provider rate increase
+1.15	HB 2 - I-149 - direct care wage increase (21 cents)
+4.25	HB 2 - subcommittee action - direct care wage increase (79 cents)
$129.90	funding for FY 06 contained in HB 2
+9.79	06 nursing home bed tax (increased by $1.75 ppd) - HB 749
$139.69	average rate for 06
+6.81	07 nursing home bed tax (increased by add'l $1.25 ppd) – HB 749
$146.50	average rate for 07
$146.36	average cost of care for 07 (based on 3.5% inflation + new tax; does not include cost increase attributable to raising direct care wage)
146.50	average "price" for 07
$ .14	average price over cost per patient day
$?	lump sum IGT payment to county and non county facilities

Montana Health Care Association
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NURSING HOME USER FEE

HISTORY

FY 92	**$1.00 ppd - third party days only**
FY 93	**$2.00 ppd - third party days only**
FY 94	**$2.00 ppd - all patient days**
FY 95 to FY 03	**$2.80 ppd - all patient days**

FY 04	**$4.50 ppd - all patient days**
FY 05	**$5.30 ppd - all patient days**

Proposed:

FY 06	**$7.05 ppd - all patient days**
FY 07	**$8.30 ppd - all patient days**

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