February 28, 2011

The Honorable Carolyn McGinn, Chairperson  
Senate Committee on Ways and Means  
Statehouse, Room 545-S  
Topeka, Kansas  66612

Dear Senator McGinn:

SUBJECT: Fiscal Note for SB 210 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 210 is respectfully submitted to your committee.

SB 210 would establish an assessment fee on service providers of the Home and Community Based Services for the Developmentally Disabled (HCBS/DD) Waiver program. The fee would be assessed quarterly and would be based on a maximum allowable percentage of the provider’s prior quarter gross incomes. The Centers for Medicare and Medicaid Services (CMS) would have to approve of the assessment of the fee and the methodology used to determine the fee. All funds collected would be deposited in the new Quality Based Community Fee Fund, established by the bill. These funds would be used exclusively as the non-federal share of a Medicaid rate increase for HCBS/DD Waiver providers. The bill would prohibit any transfers of assessment income to the State General Fund and the funds could not be used to supplant or replace existing program funding. The bill would also prohibit future rate reductions that would result in rates that are lower than those paid on the effective date of SB 210. The assessment would be levied during all or a portion of the first state fiscal year the bill becomes effective and the subsequent four full state fiscal years.

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<th>Estimated State Fiscal Effect</th>
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<td>FY 2011 SGF</td>
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<td>Revenue</td>
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Current federal law does not specifically allow for provider assessments on HCBS/DD Waiver providers. However, if CMS approves this assessment and if the requirements associated with a provider tax are met, the maximum allowable fee would be 5.50 percent of provider gross
income. Assuming that fees could be collected beginning July 1, 2011, approximately $20.0 million in assessment revenue could be realized in FY 2012. This assessment revenue would then be used as state match to draw down $26,881,781 in federal Medicaid funding and a total amount of $46.8 million ($19,917,977 + $26,881,781) would be used to raise service rates in the HCBS/DD Waiver.

SB 210 would allow for the reimbursement of administrative costs incurred by the Kansas Health Policy Authority in getting CMS approval of the provider assessment. However, the agency states that it would not require additional resources for this activity. Any fiscal effect associated with SB 210 is not reflected in The FY 2012 Governor’s Budget Report.

Sincerely,

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Dan Lewien, SRS
Scott Brunner, Health Policy Authority