

- SUBJECT:** Continuation of the quality assurance fee on ICF-MRs
- COMMITTEE:** Human Services — favorable, without amendment
- VOTE:** 9 ayes — Hupp, Eissler, A. Allen, J. Davis, Gonzalez Toureilles, Goodman, Naishtat, Paxton, Reyna
- 0 nays
- SENATE VOTE :** On final passage, April 28 — 31-0, on Local and Uncontested Calendar
- WITNESSES:** For — Will Brown, AARP - Texas; Richard Hernandez, EduCare Community Living.
- Against — None
- On — Kevin Nolting, Texas Department of Aging and Disability
- BACKGROUND:** In 2001, the 77th Legislature, through SB 1839 by Moncrief, authorized the establishment, collection, and enforcement of a quality assurance fee (QAF) by the Health and Human Services Commission (HHSC) on intermediate care facilities for persons with mental retardation (ICF-MRs) and for other state facilities for the mentally retarded. The fee is based on the number of Medicaid-eligible bed days and gross receipts reported by the facility. HHSC sets a daily fee in an amount capped at 6 percent of an ICF-MR's total annual gross receipts in Texas — the total of all compensation paid for services, excluding charitable contributions.
- The QAF is an allowable cost for reimbursement under Medicaid. Combined with federal matching funds, QAF funds can be appropriated to support or maintain an increase in Medicaid reimbursement for institutions or to offset allowable expenses in Medicaid. The statutory fee assessment authority given to HHSC is set to expire September 1, 2005, unless continued by the 79th Legislature.
- DIGEST:** SB 1830 would provide for the continuation of the QAF assessed on ICF-

MRs by repealing the provision of the Health and Safety Code that would terminate the authority of HHSC to assess the QAF on September 1, 2005.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2005.

**SUPPORTERS
SAY:**

SB 1830 would ensure that QAF revenue continued to support vital care provided by ICF-MRs to individuals with mental retardation, who might have no other way to receive these necessary services. The QAF assessed on ICF-MRs should continue because nearly all ICF-MRs are publicly funded and the fee on ICF-MR beds would be paid by the state Medicaid program, which would draw down additional federal matching funds.

Continuing the QAF on ICF-MRs would generate \$109 million in revenue for fiscal 2006-07, revenue that is assumed in the general appropriations bill passed in both chambers. If the assessment were allowed to expire on September 1, 2005, approximately \$103 million in general revenue-dedicated funds and \$155 million in federal funds would be lost in fiscal 2006-07, requiring replacement of state revenue to maintain services.

**OPPONENTS
SAY:**

Although most ICF-MR beds are Medicaid funded, some are private-pay. Measures should be taken to protect ICF-MR private-pay beds by providing for a waiver from the QAF for private-pay beds or certain facilities with a limited number of Medicaid beds.

**OTHER
OPPONENTS
SAY:**

The QAF has proven to be so successful as a method to maximize available federal funding that it should be expanded to other types of facilities. Texas should look for every opportunity to draw down additional federal funds.

NOTES:

The fiscal note projects a revenue gain of about \$108.7 million to the Quality Assurance account in fiscal 2006-07 by continuing the QAF in the ICF-MR setting.

A provision in HB 3540 by Pitts would establish a quality assurance fee to be assessed against certain nursing facilities. HB 3540 passed the House on May 5 and is pending in the Senate Finance Committee following a public hearing on May 19.

SB 1863 by Ogden, also on today's Major State Calendar, also would continue the quality assurance fee on ICF-MR facilities and authorize the Health and Human Services Commission to assess a similar fee on nursing homes and other health-related facilities.