

ISSUE BRIEF

Maximize the Allowable Provider Tax/Quality Assessment Fee (QAF)

Action for the Indiana General Assembly: Require the Indiana Family and Social Services Administration (FSSA) to collect the maximum allowable nursing home bed tax allowable by federal regulations and utilize these funds to enhance Medicaid nursing home rates.

The U.S. Department of Health and Human Services (HHS) – through the Centers for Medicare and Medicaid Services (CMS) – allow state governments to enhance nursing home reimbursement rates by providing federal matching funds for funds collected by the states through nursing facility bed taxes. In Indiana there has been legislation enacted that provides for a quality assessment fee (QAF) to be collected per CMS guidelines. Per this legislation, **80 percent** of all fees collected are matched with federal funds at the state's **62 percent** federal financial participation rate (FFP) and returned to the nursing home industry as enhanced reimbursement rates.

Twenty percent of the fees collected from the QAF are transferred directly to the state general fund, where they can be utilized at the governor's discretion. These funds can be matched at even higher rates through several other federal matching fund programs.

CMS currently allows states to collect up to **5.5 percent of total nursing home revenue** as bed taxes. Indiana is currently collecting approximately **5.3 percent**, which is below the maximum amount allowable. Indiana can benefit from utilizing the maximum allowable collection rate; additional funds can be allocated towards enhancing reimbursement rates and the State's general fund for other legislative priorities.

In August 2007 the State's **Medicaid Oversight Committee** heard testimony from the health care facility industry and from FSSA regarding this proposal to maximize the collection of the QAF. At that time it was deemed an inappropriate time to request this increase from CMS due to the **1115 waiver** that CMS was being asked to act upon in order for the Healthy Indiana Plan (HIP) to move forward. With HIP now operational this impediment has been removed; the Indiana Health Care Association (IHCA) recommends that FSSA now pursues the higher QAF collection amount.

Indiana Can Generate More Federal Funding by Pursuing the full QAF amount

- The additional QAF funds collected would be matched at least 50% by CMS for the Indiana Medicaid program
- The 20% of the QAF funds collected that go directly to the Indiana general fund could be matched by federal funds at rates as high as 90% for programs outside of Medicaid, such as U.S. Department of Transportation programs.