

HOME CARE AGENCIES FEE PROPOSAL AUGUST 2011

In preparing options to increase revenues from Health Care Agency renewal fees, a number of models have been developed.

- The first describes the program as contemplated in the fiscal note that accompanied the original legislation from 2008. This would generate revenues of \$1,214,593 and support about 15 FTE.
- The remaining five options are based on the expectation that \$850,000 in revenues from renewal fees will allow the division to operate a minimal program that meets the requirements specified in SB 08-153.
- The first two of these options are a flat fee for all facilities and a modified flat rate adjusted for urban vs. rural location, certification status and skilled vs. personal care services.
- The next two options adjust the existing fee formula and raise the fee cap for certified agencies to bring in additional revenues.
- The last model provides the same proportion of increase for all fee payers.

These options are presented for discussion purposes. No material presented here will automatically result in changes to any HCA fees. The fees are set in Board of Health Rule and do not change and cannot be changed without a Hearing before the Board of Health, and a preceding process of discussions and input with stakeholders. The information presented here is intended to provide a basis for starting and structuring those discussions.

A. Calculations Based on Original Legislation

This option determines fees based on the assumptions and calculations taken from the original bill and fiscal note from 2008, updated for present time estimates and costs. This formula funds Home Care Agency regulation at the level originally envisioned by the Legislature and charges fees that are adequate to support the original level of effort. Based on this formula, agencies providing skilled services would pay an average renewal fee of \$2,346 and agencies providing personal care services would pay an average renewal fee of \$2,009. This fee would result in estimated revenues from renewal licensure activity of \$1,214,593, which would support about 15 FTE.

B. Flat Fee for all Facilities

This option is very simple in that it considers the amount of revenue needed and divides it by the number of facilities. It doesn't take into account agency size, type of services provided, population served or location. Based on this formula all agencies will pay \$1,504 ($\$850,000 / 565 \text{ agencies} = \1504). This option has the advantage of simplicity and consistency. Under the present formula, agency fees can change from year to year based on amount of Worker

Compensation wages agencies report. In addition to being simple to apply, this formula would eliminate that variability.

C. Modified Flat Fee for all Facilities

This option takes into account the type of services provided, an agencies certification status and the location of the provider agency. Based on this formula all agencies will pay a fee based on their location (urban/rural), their certification status (certified or not certified) and the type of services they provide (skilled or personal care services). This option also has the advantage of simplicity and consistency. However, with this fee model there would be eight different fee levels. Under the present formula, agency fees can change from year to year based on amount of Worker Compensation wages they report. This formula would eliminate that variability. The fees would be as follows:

Class A

- 1) Urban / not certified = \$2,300
- 2) Rural / not certified = \$1,150 = 50% of Urban Not Cert- A
- 3) Urban / certified = \$1,725 = 75% of Urban Not Cert- A
- 4) Rural / certified = \$ 863 = 75% of Rural Not Cert- A

Class B

- 5) Urban / not certified = \$1,725 = 75% of Urban Not Cert- A
- 6) Rural / not certified = \$ 863 = 50% of Urban Not Cert- B
- 7) Urban / certified = \$1,294 = 75% of Urban Not Cert- B
- 8) Rural / certified = \$ 647 = 75% of Rural Not Cert- B

D. Calculations based on a fee cap of \$3,000 for certified agencies and a fee increase to bring to revenue collected from renewal fees to \$850,000

This option uses the existing fee structure based on reported Workers Compensation salaries. It raises the fee cap on certified agencies to \$3,000 (which would increase revenues by \$77,527). In addition to raising the Cap, fees would need to be increased by 50.64% to bring the total revenue estimate to \$850,000. The new minimum fee would increase to \$791 from \$525. This model maintains the current fee structure. It does take the size of the agency, certification status and type of services into account. But the formula based on worker's compensation wages has been awkward to calculate and difficult to verify.

E. Calculations based on a fee cap of \$8,000 for all agencies and a fee increase to bring total revenue collected from renewal fees to \$850,000

This option uses the existing fee structure based on reported Workers Compensation salaries. It raises the fee cap on certified agencies to \$8,000 (which would increase revenues by \$136,557). In addition to raising the cap, fees would need to be raised by 39.13% to bring the total revenue received from renewal fees to \$850,000. The new minimum fee would increase to \$730 from \$525. This model maintains the current fee structure, taking into account the size, certification status and type of services but also is awkward to calculate and difficult to verify.

F. Calculations based on fees increasing by the same proportion for all facilities

At present, renewal revenues equal \$512,778. To reach the \$850,000 figure revenues would need to increase by 65.76%. To continue to use the current formula the base fee would be raised to \$870 (65.76%), the cap would be raised by 65.76% and the formula changed for certified agencies to 0.16576 % of reported wages and for non certified agencies to 0.2486 % of reported wages. This option maintains the current fee model structure, taking into account size, certification status and type of services, but also is awkward to calculate and difficult to verify.