

Department of Planning and Budget 2003 Fiscal Impact Statement

1. Bill Number HB2772

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Morgan

3. Committee Health, Welfare and Institutions

4. Title Licensure of hospice programs and facilities.

5. Summary/Purpose:

The bill amends Article 7 of Chapter 5 of Title 32.1 of the *Code of Virginia* authorizing the expansion of hospice services to include hospice facilities. The bill provides a definition for hospice program and hospice facility and eliminates the definition of hospice; describes the licensing, renewal and inspection criteria for hospice facilities; and addresses the regulatory criteria for licensing hospice facilities. The bill includes two enactment clauses: (i) requiring the provisions of the bill to be effective within 280 days of enactment, and (ii) directing the Board of Health to initiate communication with the public regarding the implementation of the bill. Under this bill, hospice facilities would have to submit an application for a Certificate of Public Need (COPN).

6. Fiscal Impact Estimates are: Preliminary

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03			
2003-04	\$6,500	0.00	General Fund
	\$2,500	0.00	Special-COPN
2004-05	\$8,500	0.00	General Fund
	\$2,500	0.00	Special-COPN

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03			
2003-04	\$75,500	n/a	Special-COPN
2004-05	\$75,250	n/a	Special-COPN

7. Budget amendment necessary: Yes – General Fund: Item 319 (Regulation of Public Facilities and Services – Program 56100; specifically Regulation of Health Care Facilities – Subprogram 56103); Special Fund – COPN: Item 311 (Health Research, Planning and Coordination – Program 40600)

8. Fiscal implications:

Hospice program services are delivered to patients by licensed hospice programs in a number of settings including assisted living facilities, hospitals, nursing facilities, as well as the

homes of hospice patients. Over the past five years, the number of licensed hospice programs has nearly doubled and is currently 65. The proposed bill would authorize the establishment of residential and inpatient hospice facilities.

Currently, Medicare, Medicaid and major private insurers pay for the professional component and will reimburse for the costs of hospice facility services established under the proposed bill. Licensing agencies in each state were contacted by e-mail to determine whether they had state licensing requirements for hospice facilities, as well as to determine how many hospice facilities were currently licensed. The twenty-five states that responded included only a handful with hospice facility licensing programs; no state has more than two hospice facilities.

The Virginia Association for Hospices projects the establishment of 10 such facilities within the next two years. The average cost of licensing a hospice program on an annual basis is currently \$1,500, of which approximately \$1,000 is for salaries and fringe benefits and \$500 is for non-personal services costs (communications, travel, meals, lodging, etc). Inspection of hospice facilities will probably require an additional day on-site beyond that normally required for the existing hospice programs, resulting in added costs of \$100 for lodging and meals. The volume of work under the proposed bill is not great enough to require an additional FTE.

Other assumptions used in estimating the expenditure impact areas follow: Promulgation of new regulations is estimated to cost \$1,000 and would come from the general fund. In addition, a one-time architectural review (\$250) and a one-time life safety code (LSC) inspection (\$250) of the facility would become part of the new licensing requirements and would also have to come from the general fund. Based upon the Virginia Hospice Association's opinion, an estimate of five new hospice facilities has been made for each of the first two years of implementation, or a total of ten for the biennium.

The cost impact of an estimated five new hospice facilities is projected to be approximately \$6,500 in year one, which includes \$3,000 for travel, meals and lodging, \$2,500 for the one-time costs for architectural review and LSC and \$1,000 for regulatory promulgation costs. With an estimated 10 new facilities by year two, the cost would be \$8,500. This second year figure of \$8,500 excludes the one-time costs for architectural review, LSC and regulatory promulgation. These annual costs would be offset to some extent by hospice facility licensing fees collected from each new hospice facility provider, such fees to be determined by the Board of Health.

This bill would require hospice facilities to receive a Certificate of Public Need. The average COPN application fee for proposal to establish hospice facilities is estimated to be \$15,000. However, more study is needed to determine with any certainty what the average facility size and capital costs of such projects would actually be. If five entities submitted COPN applications that were approved and subsequently licensed to establish hospice facilities in FY 2004 and in FY 2005, the total revenue in each year would be \$75,500 and \$75,250 respectively. It does not appear that additional VDH staff would be needed to process five more COPN projects annually. The added costs of processing five applications per year would be approximately \$500 for the informal fact finding conference related to each project.

Language in the current Appropriation Act and the 2003 Budget Bill directs that any additional COPN revenue in excess of VDH's review costs be paid to the regional Health Systems Agencies.

9. Specific agency or political subdivisions affected: Virginia Department of Health, Department of Medical Assistance Services, Department of Social Services, Health Systems Agencies

10. Technical amendment necessary: No.

11. Other comments: None.

Date: 1/30/03/laf

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cc: Secretary of Health and Human Resources