

Department of Planning and Budget 2008 Fiscal Impact Statement

1. **Bill Number** HB 1046

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Watts

3. **Committee** Health, Welfare, and Institutions

4. **Title** Minimum Staffing in Nursing Homes

5. **Summary/Purpose:** The bill would require the Board of Health to amend regulations to establish staffing standards in nursing homes. Nurse staffing would be required to be a minimum of 3.5 hours per patient per day by July 1, 2008; 3.9 hours by July 1, 2012; 4.1 hours by July 1, 2014. Any facility that fails to maintain staffing levels sufficient to provide at least three hours of direct care services per patient per day by July 1, 2008 and at least 3.3 hours of direct care services per patient by July 1, 2014 would have to stop admitting residents.

6. **Fiscal Impact Estimates are:** Final.

Expenditure Impact:

(Item 306 Subprogram 45610)

Fiscal Year	Dollars	Positions	Fund
2009	\$ 19,967,454	0.0	GF
2009	\$ 19,967,454	0.0	NGF
2010	\$ 20,965,827	0.0	GF
2010	\$ 20,965,827	0.0	NGF
2011	\$ 22,014,119	0.0	GF
2011	\$ 22,014,119	0.0	NGF
2012	\$ 23,114,824	0.0	GF
2012	\$ 23,114,824	0.0	NGF
2013	\$ 27,044,345	0.0	GF
2013	\$ 27,044,345	0.0	NGF
2014	\$ 28,396,562	0.0	GF
2014	\$ 28,396,562	0.0	NGF

7. **Budget amendment necessary:** Yes, Item 306, Service Area 45610.

8. **Fiscal implications:** Using calendar year 2005 nursing home wage survey data and cost report data on nursing home days, the Department of Medicaid Assistance Services (DMAS) calculates that approximately 67 percent of nursing homes will have to add a total of 2.6 million nursing hours by FY 2009, a nine percent increase over the total nursing hours currently provided nursing home residents statewide, to meet the FY 2009 staffing standard. Since Medicaid pays for approximately 65 percent of nursing home days, Medicaid would incur costs related to approximately 1.8 million additional nursing hours. The average cost in 2005 for each additional nursing hour worked was \$17.70. The staffing cost was adjusted five percent annually for inflation.

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Based on these assumptions, this bill will result in \$39.9 million (\$20.0 million GF) in additional Medicaid reimbursement for nursing facilities in FY 2009. The requirement of 3.9 by FY 2013 will result in \$54.1 million (\$27.0 million GF) in additional Medicaid reimbursement for nursing facilities in FY 2013; the requirement of 4.1 by FY 2015 will result in \$62.7 million (\$31.3 million GF) in additional costs for nursing facilities in FY 2015. Medicaid expenditures would potentially increase prior to the deadlines for the higher requirements if facilities attempt to achieve the higher staffing standard before it is actually required.

Under the normal skilled nursing facilities reimbursement methodology, DMAS would not increase reimbursement to nursing facilities until at least a year after the nursing facilities have increased their staffing levels and the costs are reflected in their cost reports. The estimates above assume the reimbursement would be adjusted prospectively when the staffing requirements are enacted.

The Department of Health is only impacted to the extent that they must revise and promulgate new regulations to implement this bill. However, this will not result in any fiscal impact.

9. Specific agency or political subdivisions affected: Department of Health and the Department of Medical Assistance Services.

10. Technical amendment necessary: No.

11. Other comments: A prior fiscal impact statement was issued on January 17 that reflected no fiscal impact from this bill. That statement was issued inadvertently without including the Medicaid impact in the Department of Medical Assistance Services. The prior statement only reflected that there is no fiscal impact on the Department of Health.

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cc: Secretary of Health and Human Resources