

## Department of Planning and Budget 2015 Fiscal Impact Statement

**1. Bill Number:** HB 1396

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

**2. Patron:** Leftwich, James A.

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

**4. Title:** Nursing homes and assisted living facilities; staffing standards

**5. Summary:** The proposed legislation directs the Board of Health and the State Board of Social Services to set staffing standards for nursing homes and assisted living facilities, respectively, which include staff-to-patient ratios sufficient to protect the health and safety of the residents of each.

**6. Budget Amendment Necessary:** No. The fiscal impact of this bill is not expected to occur until FY 2019; therefore, no amendment to the 2014-2016 biennial budget is necessary.

**7. Fiscal Impact Estimates:** Preliminary

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2015	-	-
2016	-	-
2017	-	-
2018	-	-
2019	\$17,666,506	General
	\$17,666,506	Nongeneral
2020	\$18,019,836	General
	\$18,019,836	Nongeneral
2021	\$18,380,233	General
	\$18,380,233	Nongeneral

**8. Fiscal Implications:** This fiscal statement assumes that establishing a nursing standard for nursing facilities will require facilities to hire additional staff; thereby increasing costs. The Department for Medical Assistance Services (DMAS) assumes that Medicaid rates for nursing facilities would then have to be adjusted to reflect these higher costs as Medicaid represents about 62 percent (2012) of nursing facility utilization. The Virginia Department of Health (VDH) estimates it would take at least two years to promulgate regulations establishing a staffing standard and that nursing facilities would have at least a year to achieve compliance. As a result, there would be no fiscal impact on the Medicaid program until FY 2019.

The bill does not prescribe a specific standard for nursing homes and assisted living facilities; instead requiring the Boards of Health and Social Services to use staff-to-patient ratios sufficient to protect the health and safety of residents. As there is no way to determine what standard will ultimately be adopted by each board, the following attempts to estimate potential Medicaid cost based on analysis conducted by the Department of Medical Assistance Services (DMAS) using 2005 research on nurse staffing hours and costs. In addition, the DMAS estimate is based on a nursing hours per resident per day standard. Total nursing hours include hours worked by RNs, LPNs and nurse aides. The average nursing hours per resident per day statewide was 3.4 in 2005.

If the staffing standard was low enough (2.5 nursing hours per resident per day), there would be potentially minimal cost to nursing facilities. However, even a staffing standard equal to the average, which is what DMAS assumed in the fiscal impact, would require 52 percent of nursing facilities to increase staffing and require an additional 2.0 million nursing hours (1.4 million covered by Medicaid). DMAS does not assume that nursing facilities with higher ratios of nursing hours per resident per day will reduce hours, but that is a possibility. The average cost in 2005 for each nursing hour worked was \$19.03. The nursing cost was adjusted annually by the increase reported in the annual nursing home wage survey. If Medicaid was authorized to adjust its rates to cover the additional cost, expenditures would increase by approximately \$35.3 million (\$17.7 million general fund) in FY 2019 to meet a staffing standard of 3.4 nursing hours per resident per day.

If the standard promulgated by VDH was higher than 3.4 nursing hours per resident per day, the cost would be higher and more nursing facilities would be affected. The cost would increase by 50 percent if the minimum staffing ratio was 3.6 nursing hours per resident per day and more than double if the staffing ratio was 3.8 nursing hours per resident per day. Unless the payment increases were targeted to facilities that needed to increase nurse staffing, payment increases would usually be spread across all nursing facilities, even those who already meet or exceed the standard.

There is no Medicaid or direct state impact with regard to assisted living staffing standards; however any increased staffing requirements would place additional pressure on these facilities whose residents are currently being supported through the auxiliary grant program.

The Boards of Health and Social Services are required to develop the staffing standards and promulgate regulations to implement this bill. It is assumed that this cost, along with any increase in workload resulting from this bill can be absorbed by existing staff in the Departments of Health and Social Services.

**9. Specific Agency or Political Subdivisions Affected:**

Department of Medical Assistance Services  
Virginia Department of Health  
Department of Social Services  
Department of Aging and Rehabilitative Services

**10. Technical Amendment Necessary: No**

**11. Other Comments:** Under the normal nursing facilities reimbursement methodology, DMAS would not increase reimbursement to nursing facilities until these costs were included in the cost reports for a rebasing year. However, nursing facilities would not be able to absorb an immediate and significant cost increase; therefore, it is assumed that reimbursement would have to be adjusted prospectively when the staffing requirements are enacted. Absent an appropriation and authorizing language, however, DMAS would not increase reimbursement.

**Date:** 1/25/15