

## **Department of Planning and Budget**

### **2014 Fiscal Impact Statement**

**1. Bill Number:** HB 2258

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

**2. Patron:**        Head, Christopher T.

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

**4. Title:**         Nursing facility services; preadmission screening

**5. Summary:** The bill eliminates a requirement that physicians serving as members of screening teams for community-based long-term care services as defined in the state plan for medical assistance be an employee of the Virginia Department of Health the local department of social services; eliminates the requirement that the Department of Medical Assistance Services contract with an acute care hospital for institutional screenings for long-term care services as defined in the state plan for medical assistance, so that the department may but is not required to contract with acute care hospitals for such screenings; and allows the department to contract with one or more vendors to receive, conduct, track, and monitor requests for all community-based and institutional long-term care screenings. The bill also requires the Board of Medical Assistance Services to promulgate regulations to implement the bill's provisions within 280 days and allows the Board to implement changes necessary to implement the bill's provisions upon its passage and prior to the promulgation of regulations.

**6. Budget Amendment Necessary:** Yes, See Item 8.

**7. Fiscal Impact Estimates:** Indeterminate, See Item 8.

**8. Fiscal Implications:** The Code of Virginia currently limits DMAS to contracting with acute care hospitals for screenings for individuals in a hospital setting and with employees of local departments of social services and local health districts for individuals residing in community-based settings. This bill 1) eliminates the requirement that community-based preadmission screening teams be composed of employees of the Virginia Department of Health (VDH) and local departments of social services; and 2) allows DMAS to contract with public or private entities to provide preadmission screening for those individuals seeking certified nursing services in institutions or in the community.

The bill could have a fiscal impact on the Commonwealth primarily by reducing federal revenue available to the Virginia Department of Health (VDH) and the Department of Social Services (DSS) for performing pre-admission screenings for the Medicaid program. In addition, DMAS would require additional funding should the agency choose to contract for preadmission screenings. However, as the bill does not require DMAS to contract for screenings an agency specific fiscal impact cannot be determined.

Assuming that DMAS would no longer utilize VDH and local DSS staff for pre-admission screening teams for Medicaid, VDH would lose approximately \$2.4 million a year in federal revenue and DSS approximately \$2.3 million in revenue to support staff costs. DMAS estimates the cost of contracting for all screenings statewide to be approximately \$2.0 million. A discussion of each agency's impact follows.

#### Virginia Department of Health

VDH conducted 12,303 assessments in FY 2013 and 13,209 assessments in FY 2014. In FY 2014, VDH received \$2.4 million in federal reimbursement from DMAS for conducting prescreening assessments and utilized \$945,000 as state match for a total of \$3.4 million in funding for the activity. In FY 2014, 413 different VDH employees (statewide) invested 98,397 hours in conducting and reviewing the assessments, and thus were partially funded by the \$2.4 million in federal revenue. Those hours are the equivalent of approximately 47 full-time positions across all health districts.

Any loss of federal revenue would likely have a significant but indeterminable impact on the operations of health districts across the Commonwealth. Since many positions are likely only partially funded from this revenue, the loss of revenue must be offset with some other source of funding. In the absence of other available resources, local health districts would be forced to reduce support for other services in order to continue fully funding the positions. In some cases staff may be laid off and severance costs would be incurred. However, it is difficult to assess the overall impact on the health districts without more information from each one on how this revenue loss would actually impact their operations.

#### Department of Social Services

DSS receives approximately \$2.3 million in federal Medicaid revenue annually from DMAS based on the time spent by local staff completing assessments and reassessments. Again, assuming that DMAS contracts all pre-admission screening with another entity, the time spent by local department staff completing assessments would result in a corresponding decrease in federal revenue.

In addition, this reduction in federal revenue would have to be offset by a \$2.3 million reduction in expenditures for local staff. Using the average annual cost of employing a local family services specialist, a qualified assessor, of \$65,208 (salary and benefits), a reduction in expenditures of \$2.3 million would equate to the loss of funding for approximately 36 local employees. This reduction in expenditures would be federal funds. It may be possible for some of the costs to be offset through allocation to other federal grants, however, there is no available information indicating to what degree this is possible to mitigate the lost federal revenue from no longer performing pre-admission screenings.

#### Department of Medical Assistance Services

The bill provides DMAS with authority to contract out the pre-admission screening function. It is assumed that DMAS would contract out the pre-admission screening function (scope indeterminate) and as a result there would be a fiscal impact to the state. DMAS assumes there are no differences in payments made for the pre-admission screening and no change in volume or cost per screening. Currently, approximately \$8.8 million (state and federal funds) is expended for Medicaid long-term care preadmission screening services. By centralizing the expenditures at DMAS, and contracting with a federally-certified organization (eligible for a 75 percent federal match), there is a potential for overall state savings of about \$80,000. However, this state savings assumes that the general fund resources at DSS and VDH for pre-admission screenings are reallocated to DMAS to pay for the centralized pre-admission screenings, which is not a viable assumption. Redirecting state funds magnifies the adverse fiscal and operational impacts on these agencies already affected by the loss of the federal funding. Moreover, in the case of both VDH and DSS, the removal of general fund dollars would have an impact on the availability of local matching dollars. Therefore, in order to fully fund the state share for DMAS' contract with an outside entity, it is assumed that additional general fund dollars (approximately \$2.0 million) would be needed.

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

Virginia Department of Health  
Department of Social Services  
Department of Medical Assistance Services.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.

Date: 1/29/15