

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB 309

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

2. Patron: Watts

3. Committee: Health, Welfare and Institutions

4. Title: Nursing homes; standards of care.

5. Summary: The proposed legislation establishes new nursing staffing standards for all nursing homes by requiring a minimum standard for direct care services to each resident per 24-hour period. It would require the Board of Health to amend regulations to require a minimum of 3.5 hours of nursing services by July 1, 2019; 3.9 hours by July 1, 2024; and 4.1 hours by July 1, 2029 or upon adoption of a standard by the Federal government. Any facility that fails to maintain staffing levels sufficient to provide at least 3.5 hours of direct care services per patient by July 1, 2019 and at least 3.9 hours of direct care services per patient by July 1, 2024 would have to cease admitting residents.

6. Budget Amendment Necessary: Yes.

7. Fiscal Impact Estimates: Preliminary

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2019	-	General
2019	-	Nongeneral
2020	\$16,143,485	General
2020	\$16,143,485	Nongeneral
2021	\$16,627,789	General
2021	\$16,627,789	Nongeneral
2022	\$17,126,623	General
2022	\$17,126,623	Nongeneral
2023	\$17,640,422	General
2023	\$17,640,422	Nongeneral
2024	\$18,169,634	General
2024	\$18,169,634	Nongeneral

8. Fiscal Implications: This bill has a fiscal impact on the Commonwealth because it creates staffing standards for all nursing homes, which in turn would increase operating costs. Since Medicaid is the largest payer of nursing home costs, the Medicaid program would be impacted. This analysis, assumes that Medicaid rates for nursing facilities would be increased in FY 2020 to account for the added costs. The lack of this prospective rate increase could jeopardize the financial stability of many nursing homes and result in decreased access to nursing home care for Medicaid beneficiaries.

Using 2016 nursing facility wage survey data, DMAS compared the number of nursing hours worked with the total number of patient days by facility to determine the number of nursing hours worked per patient day. In 2016, the average nursing hours per recipient per day statewide was 3.6 hours with approximately 45 percent of nursing facilities meeting the proposed 3.5 hour standard. DMAS then used the number of Medicaid days in any facility below the 3.5 standard to estimate that 1,187,647 additional hours of staff time will be needed for all facilities to provide at least 3.5 hours of care per patient day for Medicaid patients.

In 2016, the average cost for each additional nursing hour worked was \$23.87. Assuming staffing costs were adjusted annually (up to approximately \$27.19 by FY 2020) to account for nursing facility inflation, DMAS estimates that enacting the legislation would increase nursing facility costs to care for Medicaid recipients by approximately \$32.3 million (\$16.1 million general fund) by FY 2020. The continued increase in out-year amounts reflects the assumption of continued inflation. However, in fiscal years 2025 and 2030 it is assumed that significant increases will occur as staffing standards are adjusted upwards. For example, as only 22.5 percent of facilities currently meet the proposed 2025 standard, DMAS estimates that the subsequent staffing standard increase, to 3.9 hours, would result in the total impact of approximately \$81.6 million (\$40.8 million general fund). The cost impact associated with the 4.1 standard has not been estimated at this time.

The Virginia Department of Health would be required to amend agency regulations to reflect the bill. The agency has indicated that those costs can be absorbed within the current workload.

9. Specific Agency or Political Subdivisions Affected:

Virginia Department of Health
Department of Medical Assistance Services

10. Technical Amendment Necessary: No

11. Other Comments: None