

Department of Planning and Budget 2002 Fiscal Impact Statement

1. **Bill Number** SB490

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

2. **Patron** Newman, Stephen D.

3. **Committee** Passed Both Houses

4. **Title** Medical Care Facilities Certificate of Public Need

5. **Summary/Purpose:** This bill would require the State Health Commissioner to issue a Request for Applications (RFA) for 180 new nursing home or facility beds. Specifically the legislation would require the Commissioner to authorize and accept applications for 60 new beds in Planning District 11 and 120 new beds in Planning District 13. The Commissioner may issue one or more certificates in both districts for an increase of such beds.

6. **Fiscal impact estimates are final**

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	-	-	-
2002-03	\$37,500- \$75,000	-	NGF
2003-04	\$1,959,134	-	GF
2003-04	\$2,019,611	-	NGF

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2001-02	-	-	-
2002-03	\$45,000- \$90,000	-	NGF
2003-04	-	-	-

7. **Budget amendment necessary:** Yes, item 325.

8. **Fiscal implications:** The Virginia Department of Health and the State Health Commissioner would have to issue a Request for Applications (RFA) for Planning Districts 11 and 13 in the first half of FY 2003. These RFAs would establish a review cycle that begins in the second half of FY 2003, and it is estimated that three to six competing applications will be filed in the review cycle with an average application fee of \$15,000. The cost to VDH average \$12,500 per application based on past reviews.

Assuming an additional 60 -bed nursing facility was built in the Lynchburg area (Planning District 11) and 120 -bed facility was built in Mecklenburg County (Planning District 13), the Department of Medical Assistance Services (DMAS) maintains that there would not be a fiscal impact on Medicaid in FY 2003 since it should take at least a year to build the extra units. Beginning in FY 2004, DMAS would experience additional costs based on the additional Medicaid beds. Based on 90 percent occupancy in the new beds and 67 percent

Medicaidutilization,DMASestimatesthestate'scostswouldincreaseby39,617.1'Medicaid days.'

$(180\text{beds}) \times (365\text{days}) \times (90\% \text{occupancy}) \times (67\% \text{Medicaidutilization}) = 39,617.1 \text{Medicaiddays}$

AccordingtoDMAS,therateforthefacility outlinedinthislegislationwouldbeabout \$100.43perdayinFY2004basedonthenursingfacilitycalculationformula.Thisformula accountsforfactorssuchaspeergroupings,directandindirectcosts,andcapitalratefora newfacility.Therefore ,DMASestimatesitwouldberequiredtoexpend\$3,978,745 (\$1,959,134GF and \$2,019,611federalmatch) eachyearfortheadditionalbeds.

9. Specificagencyorpoliticalsubdivisionsaffected:

VirginiaDepartmentofHealth
DepartmentofMedicalAssistanceServices

10. Technicalamendmentnecessary: No

11. Othercomments: None

Date: 3/12/02/kwm

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cc:SecretaryofHealthandHumanResources