# Department of Planning and Budget
## 2002 Fiscal Impact Statement

1.  **Bill Number**   SB643

    **House of Origin**   ☐ Introduced   ☐ Substitute   ☐ Engrossed

    **Second House**   ☐ In Co mmittee   ☐ Substitute   ☒ Enrolled

2.  **Patron**   Watkins, John C.

3. **Committee**   Passed Both Houses

4.  **Title**   Certificate of Public Need

5.  **Summary/Purpose:** The bill requires the Commissioner of Health, notwithsta       nding the provision of any current Request for Applications (RFA), to authorize and accept an application for the conversion of 16 assisted living beds to nursing facility, or extended care services, beds in an existing facility when (i) the application is       filed by an existing 224   -bed nursing facility located in Chesterfield County within Planning District 15, (ii) the 16 assisted living beds in the existing facility were built to nursing home standards, (iii) the existing facility is operated by a healthc       enter commission, (iv) the existing facility has a ninety     -five to ninety-six percent occupancy rate, and (v) the converted nursing facility beds are to be dedicated to the provision of care for private pay and Medicaid patients. Specifically, this bill would allow Lucy Corr Nursing Home to convert 16 existing beds, which were built to nursing home construction standards, from assisted living to nursing facility beds. The bill states that the new beds would not admit Medicaid recipients.

6.  **Fiscal impact   estimates are final**

    | Fiscal Year | Dollars | Positions | Fund |
    |---|---|---|---|
    | 2002-03 | $142,737 | - | GF |
    | 2002-03 | $147,144 | - | NGF |
    | 2003-04 | $149,140 | - | GF |
    | 2003-04 | $152,336 | - | NGF |

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

6.  **Fiscal implications:** Without passage of this proposed leg       islation, the Lucy Corr Health Care Center would not be granted a certificate of public need (COPN) to establish additional nursing home beds. As prescribed in the recently released request for applications (RFA), Planning District 15 does not meet the thr       ee COPN criteria established for additional bed need: (i) no authorized, but un     -constructed beds, (ii) occupancy levels at or above 95%, and (iii) projected bed need based on population. This bill would allow Lucy Corr's application to be processed in acc   ordance with the standard COPN review procedures. This process takes approximately two to three weeks to complete, and possibly longer, depending upon whether or not there is a need for an informal fact finding conference to be conducted. The cost of completing the application review process and issuing the COPN to the applicant is expected to be approximately $2,000. This cost will be absorbed within the COPN program.

The 16 new beds would result in some increase in Medicaid days because Lucy Corris a large facility with only 55% Medicaid utilization. They could easily put only Medicare and private pay residents in the 16 new beds and still increase their total Medicaid days because of their expanded capacity. This relatively small increase in lice nsed beds (they currently have 194 NF beds) would probably not significantly change their operating rates from what they are now.

Based on 90 percent occupancy in the new beds and 55 percent Medicaid utilization, DMAS estimates the state's costs would increase by 2,891 'Medicaid days.'

(16 beds) x (365 days) x (90% occupancy) x (55% Medicaid utilization) = 2,891 Medicaid days

According to DMAS, the rate for the facility outlined in this legislation would be about $100.27 ($120.54 total rate - $20.27 patient pay portion) per day based on the nursing facility calculation formula. This formula accounts for factors such as peer groupings, direct and indirect costs, and capital rate for a new facility. Therefore, DMAS estimates it would be required to ex pend $289,881 ( $142,737 GF and $147,144 federal match) each year for the additional beds. In FY 2004, the anticipated impact would be about 4 percent higher due to inflation, or $301,476 ( $149,140 GF and $152,336 NGF .)

9. **Specific agency or political sub divisions affected:**
   Virginia Department of Health
   Department of Medical Assistance Services

10. **Technical amendment necessary:** No

11. **Other comments:** None

cc: Secretary of Health and Human Resources