

## Department of Planning and Budget 2005 Fiscal Impact Statement

**1. Bill Number** HB2850H1

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

**2. Patron**        Cox

**3. Committee**    Appropriation Subcommittee

**4. Title**            Veterans' Care Center; Governor to request federal funds to expand capacity of beds.

**5. Summary/Purpose:**

Authorizes the Governor to request federal funds to expand the capacity of the Veterans' Care Center by an additional 80 beds. Upon receipt of the federal funds, the Treasurer shall advance a no-interest loan of \$2.8 million to the Department of Veterans Services for the state share of the expansion.

**6. Fiscal Impact Estimates are Preliminary:**

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2004-05			
2005-06	\$2,800,000		GF
2005-06	5,200,000		NGF
2006-07	See below for		
2007-08	explanation		
2008-09			

**7. Budget amendment necessary:** Yes, item C-4.0

**8. Fiscal implications:** The Sitter-Barfoot Care Center (SBCC), to be constructed on the grounds of the McGuire VA Medical Center in Richmond, was originally designed to accommodate 240 beds in 120 semi-private rooms. Changing health-care delivery standards and rising construction costs forced a reduction in scope to 160 beds in private rooms. This project restores the 80 domiciliary beds cut from the original project. Emerging health care trends, as well as the changing needs of veterans and United States Department of Veterans Administration (USVA) requirements may change the number and type of these beds to a mix of domicile and skilled care beds. The capital cost of adding the 80 domiciliary beds is expected to be \$8 million.

The Department of Veterans Services (DVS) has submitted a pre-application for a federal grant to cover 65 percent – \$5.2 million – of project costs. The Commonwealth of Virginia is responsible for the remaining 35 percent, or \$2.8 million. The application and approval

process through the USVA can take 2-5 years, depending on how many other states are seeking money. Committing the Commonwealth's portion of the construction cost would move Virginia ahead of states that have not committed their 35 percent share of the construction cost.

Once constructed, funds will be needed for operating costs, including staffing. The estimated cost of a skilled care bed per day is \$180.00, and the domiciliary bed cost is \$108.00. This brings the estimated operating cost per year to a range of \$ 3,153,600 to \$5,256,000 for the 80 beds. The average between the two ranges comes to \$4,204,800. However, when the facility was originally approved it was anticipated that the operating cost in the out years would be for a 240-bed facility. While there is a change in impact from the current plan for a 160-bed facility, there is no incremental impact from the original plan, which called for a 240 bed. Costs and revenues will be staggered since only a limited number of new domiciliary care residents can be admitted each month.

Reimbursement will also vary depending on the types of beds constructed. While skilled beds are reimbursed from private pay, Medicare, Medicaid, and USVA, domiciliary beds are reimbursed only from private pay and USVA. The facility will generate revenue from the moment the first skilled care patient is accepted but the SBCC will not generate enough revenue to cover full operating costs until near-full occupancy is reached. Therefore, supplemental general funding will be required to operate the additional 80 beds, regardless of type, until near-full capacity is reached.

- 9. Specific agency or political subdivisions affected:** Department of Veterans Services.
- 10. Technical amendment necessary:** The bill provides that upon receipt of the federal funds, the Treasurer shall advance a loan of \$2,800,000 to the Department of Veterans Services for the state share of the expansion. Any federal funds will be made on a reimbursable basis after expenditures are incurred. Therefore, it would be more appropriate if the loan were made when federal funding is authorized.
- 11. Other comments:** No provision is made for the repayment of the loan.

**Date:** 2/15/2005/ cab

**Document:** H:\Bos-Ro\2005 Session\Fis\Hb2850.Doc

cc: Secretary of Administration