

Department of Planning and Budget 2009 Fiscal Impact Statement

1. **Bill Number** SB 1263

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Vogel

3. **Committee** Education and Health

4. **Title** Certificate of Public Need Exception for Planning District 8

5. **Summary/Purpose:** The bill requires the Commissioner of the Virginia Department of Health to issue a Request for Applications for 100 new nursing facility beds in Planning District eight (Northern Virginia) by no later than October 1, 2009. The commissioner may issue the Certificate of Public Need (COPN) only if the design implements the Green House program nursing home model. Green House is a model in which the homes are similar to others houses in the community and serves a small number of seniors who live and eat together much as a family does with the help of a separate clinical support team (it is a family/household model versus an institutional model).

If the application is submitted by a not-for-profit institution then the Department of Medical Assistance Services (DMAS) is authorized to offer incentives up to \$2.0 million or 20 percent of the capital costs of the facility, whichever is less. The funding for the incentives shall be from the Civil Money Penalties fund.

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

Expenditure Impact:

(Item 306 Subprogram 45609)

Fiscal Year	Dollars	Positions	Fund
2009	\$0	0.0	GF
2009	\$0	0.0	NGF
2010	\$0	0.0	GF
2010	\$0	0.0	NGF
2011	\$0	0.0	GF
2011	\$0	0.0	NGF
2012	\$1,509,853	0.0	GF
2012	\$1,509,853	0.0	NGF
2013	\$1,561,188	0.0	GF
2013	\$1,561,188	0.0	NGF
2014	\$1,614,269	0.0	GF
2014	\$1,614,269	0.0	NGF

7. **Budget amendment necessary:** No, because the costs to the state will not occur until the next biennial budget that covers fiscal years 2011 and 2012.

- 8. Fiscal implications:** The fiscal impact assumes that any beds approved outside the COPN process will result in additional Medicaid reimbursable days. The beds are not likely to be built until FY 2012. Using current statewide statistics, an occupancy rate of 91.7 percent and a Medicaid utilization rate of 62.7 percent are assumed. Using the average Medicaid reimbursement per day increased by 3.4 percent a year, the average Medicaid payment per day would be \$143.89 in FY 2012. This results in a total cost of about \$3.0 million for Medicaid in FY 2012, with 50 percent of the funding coming from the federal government.

The bill also authorizes an expenditure from the Civil Money Penalty fund of up to \$2.0 million in incentives to the institution that submits the application for a facility to build these new beds based on the Green House program nursing home model. Civil money penalties are moneys and interest received by the state from the imposition of penalties levied on long-term care facilities that are not in compliance with federal or state requirements. The fund has sufficient moneys to cover up to \$2.0 million in costs. The table in ITEM 6 does not include any estimate of funding for this purpose as it is unknown how much would be used for incentives. The bill authorizes DMAS to offer incentives, but does not require it.

- 9. Specific agency or political subdivisions affected:** Virginia Department of Health and the Department of Medical Assistance Services.
- 10. Technical amendment necessary:** No.
- 11. Other comments:** None.

Date: 01/28/09 mst

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cc: Secretary of Health and Human Resources