Department of Planning and Budget
2011 Fiscal Impact Statement

1. **Bill Number:** SB 986

   House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Locke

3. **Committee:** Education and Health

4. **Title:** Certificate of public need - exempts Veterans Services facilities

5. **Summary:** The bill excludes any facility of the Department of Veterans Services from being defined as a medical care facility, thereby exempting them from the certificate of public need (COPN) requirements that are administered by the Virginia Department of Health.

6. **Budget Amendment Necessary**: No, because any fiscal impact will not occur in the current biennial budget cycle.

7. **Fiscal Impact Estimates are:** Not Available. SEE ITEM 8.

8. **Fiscal Implications:** The bill will have an impact on the Medicaid program if and when any additional beds become operational. This fiscal impact assumes that any beds approved outside the COPN process will result in additional Medicaid reimbursable days.

   The Department of Veterans Services (DVS) currently operates two nursing facilities with a total of 280 beds (with an average Medicaid utilization of 43 percent). The agency has applied for 65 percent construction funding from the United States Department of Veterans Affairs to build an additional 40 beds in Richmond, 240 in Hampton, and 240 in Northern Virginia. If approved by the 2011 General Assembly, DVS will apply for federal grant funding to construct up to 80 beds in Southwest Virginia. At this point, the Richmond, Hampton, and Northern Virginia projects are on a federal project list, but federal funding has not yet been approved. It is not known when federal priority for these projects will reach the point that actual funding is approved.

   When the General Assembly authorized (in various appropriation acts) the Governor, through the Department of Veterans Services, to apply for federal grant funds for the Richmond, Hampton, and Northern Virginia projects, it also committed the Commonwealth to funding 35 percent of project costs. When any of DVS' projects do receive federal funding, the state will then have to determine through the budget process how to provide funding (which could be bond funds). When state funds are approved, DVS can begin the capital process to build the facility, which may take a couple years.

Therefore, while DVS is planning to add 600 beds to their network of facilities, it is unknown when all the funding pieces will fall into place that will ultimately allow the agency to place additional beds into operation. Based on what is known at this point, it is premature to make any assumptions on when these additional beds would be operational. So this fiscal impact statement is limited to stating that when they do become available, the additional beds will have a fiscal impact on Medicaid.

As an example of the potential fiscal impact, if one of the 240 bed facilities is approved and built with the beds coming online July 1, 2014, the fiscal impact on Medicaid would be $7,050,160 ($3,525,080 general fund) in FY 2015. The actual dollar estimate is based on the number of bed days each year (240 beds multiplied by 365 days = 87,600). The number of bed days is reduced by applying the statewide occupancy rate of 90.69 percent and then further reduced to reflect the Medicaid utilization rate of 61.24 percent to come up with the number of Medicaid reimbursable days (48,652 bed days). The average Medicaid reimbursement per day is projected to be $144.91 in FY 2015. So the fiscal impact calculation is the number of Medicaid reimbursable bed days times the average Medicaid reimbursement per day (48,652 times $144.91 = $7,050,160). The costs are expected to grow by about three percent annually thereafter. The federal Medicaid match rate for Virginia is 50 percent.

9. **Specific Agency or Political Subdivisions Affected:** Department of Veterans Services, Virginia Department of Health, and the Department of Medical Assistance Services.

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** HB 1697, introduced by Delegate Athey, is a companion bill.

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c: Secretary of Health and Human Resources