

## Department of Planning and Budget 2014 Fiscal Impact Statement

**1. Bill Number:** HB 568

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

**2. Patron:** Watts

**3. Committee:** Health, Welfare and Institutions

**4. Title:** Nursing home standards of care

**5. Summary:** The bill requires the Board of Health to amend regulations to establish staffing and care standards in nursing homes. Nurse staffing would be required to provide a minimum of 3.5 hours of direct care per patient per 24-hour period by July 1, 2015; 3.9 hours by July 1, 2019; and 4.1 hours by July 1, 2021. Any facility that fails to maintain staffing levels sufficient to provide at least three hours of direct care services per patient per day by July 1, 2015, and at least 3.3 hours of direct care services per patient by July 1, 2021, would have to stop admitting new residents.

**6. Budget Amendment Necessary:** Yes, Item 301.

**7. Fiscal Impact Estimates:** Final.

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2014	\$0	-	-
2015	\$0	-	-
2016	\$23,452,733	-	GF
2016	\$23,452,733	-	NGF
2017	\$24,156,315	-	GF
2017	\$24,156,315	-	NGF
2018	\$24,881,004	-	GF
2018	\$24,881,004	-	NGF
2019	\$25,627,434	-	GF
2019	\$25,627,434	-	NGF
2020	\$28,556,284	-	GF
2020	\$28,556,284	-	NGF

**8. Fiscal Implications:** This bill has a fiscal impact on the Commonwealth because it increases staffing standards for nursing homes. Nursing homes that do not meet the standards would have to increase their staffing levels and therefore their operating costs. Since Medicaid is the largest payer of nursing homes costs, the Medicaid program would be impacted.

The fiscal impact estimates are based on calendar year 2005 nursing home wage survey data and cost report data on nursing home days. The Department of Medical Assistance Services (DMAS) has not updated this data since then. The degree to which the 2005 survey data differs from current practices may result in the fiscal impact being higher or lower depending on how nursing home staffing has changed. Nevertheless, this fiscal impact is based on the latest information available, from 2005, and extrapolated to the current year.

In order to meet the FY 2016 staffing standard, DMAS calculates that approximately 67 percent of nursing homes would have to add a total of 2.6 million nursing hours by FY 2016, a nine percent increase over the total nursing hours currently provided nursing home residents statewide. Since Medicaid pays for approximately 65 percent of nursing home days, Medicaid would incur costs related to approximately 1.8 million additional nursing hours.

The average cost in 2005 for each additional nursing hour worked was \$17.70. The staffing cost was adjusted annually for nursing facility inflation and reflects the no inflation policy between FY 2009 and FY 2012. Based on these assumptions, this legislation would result in \$46.9 million (\$23.5 million GF) in additional Medicaid reimbursement for nursing facilities in FY 2016. The requirement of 3.9 hours by FY 2020 would result in \$57.1 million (\$28.6 million GF) in additional Medicaid reimbursement for nursing facilities in FY 2020; and the requirement of 4.1 hours by FY 2022 would result in \$63.7 million (\$31.8 million GF) in additional costs for nursing facilities in FY 2022. Medicaid expenditures could potentially increase prior to the deadlines for the higher requirements if facilities attempt to achieve the higher staffing standard before it is actually required.

Under the normal skilled nursing facilities reimbursement methodology, DMAS would not increase reimbursement to nursing facilities until at least a year after the nursing facilities have increased their staffing levels and the costs are reflected in their cost reports. However, since the potential costs are significant to nursing facilities, this fiscal impact assumes that nursing home reimbursement would be adjusted prospectively when the staffing requirements are enacted.

The Department of Health is required to amend their regulations, which can be absorbed within their current workload.

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

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

**11. Other Comments:** None.