

# Department of Planning and Budget

## 2020 Fiscal Impact Statement

**1. Bill Number:** HB 737

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

**2. Patron:** Watts

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

**4. Title:** Nursing homes; standards of care

**5. Summary:** The proposed legislation establishes new nursing staffing standards for all nursing homes by requiring a minimum standard for direct care services to each resident per 24-hour period. The Board of Health must amend regulations establishing the staffing and care standards in nursing homes to require a minimum number of hours of direct care services to each resident per 24-hour period as follows: (i) by July 1, 2021, a minimum of 3.5 hours of direct care services provided by certified nursing assistants, licensed practical nurses, licensed vocational nurses, or registered nurses per 24-hour period; (ii) by July 1, 2026, a minimum of 3.9 hours; and (iii) by July 1, 2031, a minimum of 4.1 hours.

**6. Budget Amendment Necessary:** Yes, Item 313.

**7. Fiscal Impact Estimates:** Preliminary

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020	-	-
2020	-	-
2021	\$17,911,697	General
2021	\$17,911,697	Nongeneral
2022	\$18,413,225	General
2022	\$18,413,225	Nongeneral
2023	\$18,928,795	General
2023	\$18,928,795	Nongeneral
2024	\$19,458,801	General
2024	\$19,458,801	Nongeneral
2025	\$20,003,648	General
2025	\$20,003,648	Nongeneral
2026	\$47,052,507	General
2026	\$47,052,507	Nongeneral

**8. Fiscal Implications:** This bill has a fiscal impact on the Commonwealth as it creates staffing standards for all nursing homes that would increase the number of required staff and the associated operating costs. Since Medicaid is the largest payer of nursing home operating costs, the Medicaid program would be impacted as those costs increased. Since the revised staffing standards are expected to be in place by July 1 of 2021, 2026 and 2031, this analysis,

assumes that Medicaid rates for nursing facilities would be prospectively increased in the preceding fiscal year to account for the added costs. The lack of this prospective rate increase could jeopardize the financial stability of many nursing homes and result in decreased access to nursing home care for Medicaid beneficiaries.

Using 2018 nursing facility wage survey data, DMAS compared the number of nursing hours worked with the total number of patient days by facility to determine the number of nursing hours worked per patient day. In 2018, the average nursing hours per recipient per day statewide was 3.69 hours with approximately 47 percent of nursing facilities meeting the proposed standard. DMAS then used the number of Medicaid days in any facility below the 3.5 hour standard to estimate that 1,367,135 additional hours of staff time will be needed for all facilities to provide at least 3.5 hours of care per patient day for Medicaid patients.

In 2018, the average cost for each additional nursing hour worked was \$25.10. Assuming staffing cost were adjusted annually to account for nursing facility inflation, DMAS estimates that enacting the legislation would increase nursing facility costs for Medicaid recipients by approximately \$35.8 million (\$17.9 million general fund) by FY 2021. The continued increases in out-year amounts reflect the assumption of continued inflation. However, in fiscal years 2026 and 2031 significant increases will occur as staffing standards are adjusted upwards. For example, as only 25.1 percent of facilities currently meet the proposed July 1, 2026, standard, DMAS estimates that the cost of adjusting nursing facility rates to meet this standard would be \$94.1 million total funds (\$47.1 million general fund) in FY 2026. Further, DMAS estimates that the subsequent staffing standard increase, to 4.1 hours, would result in a total impact of approximately \$127.3 million (\$63.6 million general fund) in FY 2031.

The Virginia Department of Health (VDH) must establish staffing and care standards in nursing homes that reflect the minimum of direct care requirements established in this bill. It is assumed that VDH can absorb the additional workload associated with the development of staffing and care standards within existing resources.

The bill also states that any facility that fails to maintain the specified staffing levels would be ineligible to accept new patients. However, the bill is silent on how these standards would be enforced and who is tasked with enforcing them. If VDH was expected to ensure compliance then there may be costs associated with the inspection of facilities.

**9. Specific Agency or Political Subdivisions Affected:**

Virginia Department of Health  
Department of Medical Assistance Services

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None