

Department of Planning and Budget 2021 Fiscal Impact Statement

1. Bill Number: HB 2156

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 staffing and care standards; regulations, report

5. Summary: The proposed legislation establishes staffing and care standards in nursing homes. For each 24-hour period, nursing homes must ensure that each resident receive a minimum number of direct care hours that are provided by certified nursing assistants, licensed practical nurses, licensed vocational nurses, or registered nurses. The minimum staffing standard is implemented in phases as follows:

- (i) by July 1, 2022, a minimum of 3.5 hours of direct care services;
- (ii) by July 1, 2026, a minimum of 3.9 hours of direct care services; and,
- (iii) by July 1, 2030, a minimum of 4.1 hours of direct care services.

Further, the bill indicates that any facility that fails to maintain staffing levels (3 hours by July 1, 2022, 3.4 hours by July 1, 2026, and 3.6 hours July 1, 2030) will be ineligible to accept new patients.

The bill also directs the Joint Commission on Health Care to study issues related to establishment of a minimum number of hours of direct care services for nursing homes as part of its study of the nursing facility workforce authorized by the Commission on December 15, 2020, and to report its findings by December 1, 2021. The regulatory provisions of the bill have a delayed effective date of July 1, 2022.

6. Budget Amendment Necessary: No. The effective date of this legislation would delay costs until the 2022-2024 biennium.

7. Fiscal Impact Estimates: Preliminary

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2021	-	-
2022	-	-
2023	\$26,337,411 \$28,444,404	General Nongeneral
2024	\$27,153,871 \$29,326,180	General Nongeneral

2025	\$27,995,641 \$30,235,292	General Nongeneral
2026	\$28,863,506 \$31,172,586	General Nongeneral
2027	\$60,379,072 \$65,209,398	General Nongeneral

- 8. Fiscal Implications:** This bill has a fiscal impact on the Commonwealth because it creates staffing standards for all nursing homes, which in turn would increase operating costs. Since Medicaid is the largest payer of nursing home costs, the Medicaid program would be impacted. Since this the bill's provisions do not take effect until July 1, 2022, it is assumed that Medicaid rates for nursing facilities would not be adjusted until FY 2023 to account for the added costs

Using 2019 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 2019, the average nursing hours per recipient per day statewide was 3.48 hours with approximately 37 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 2,288,903 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 2019, the average cost for each additional nursing hour worked was \$26.53. Assuming staffing cost were adjusted annually to account for nursing facility inflation, DMAS estimates that enacting the legislation would increase nursing facility costs for care of Medicaid recipients by approximately \$54,781,815 (\$26,337,411 general fund and \$210,699 coverage assessment funds) in FY 2023. The continued increases in out-year amounts reflect the assumption of continued inflation of 3.1 percent until the new staffing standard (3.9 hours) becomes effective in FY 2027. Note: DMAS estimates that the 4.1 hour staffing standard required in FY 2031 would cost approximately \$174.6 million (\$83.8 million general fund).

The Virginia Department of Health would be required to amend agency regulations to reflect the bill. The agency previously has indicated that those costs can be absorbed within the current workload.

- 9. Specific Agency or Political Subdivisions Affected:**
Department of Medical Assistance Services

- 10. Technical Amendment Necessary:** No

- 11. Other Comments:** None