

Department of Planning and Budget 2010 Fiscal Impact Statement

1. **Bill Number:** HB 842

House of Origin X Introduced ___ Substitute ___ Engrossed
 Second House ___ In Committee ___ Substitute ___ Enrolled

2. **Patron:** Hope

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

4. **Title:** Health care facilities; licensure fees

5. **Summary:** Allows the Board of Health to establish annual licensure and renewal fees for certain health care facilities and programs and to set additional fees to cover the cost of the licensure and inspection programs. Through enactment clauses, the bill provides an increase to the current fee schedule as follows: \$350.00 plus \$2.00 per bed for each hospital; \$700.00 per facility for each outpatient surgical center; \$950.00 plus \$8.00 per bed for each nursing facility; \$650.00 for each hospice program; \$650.00 for each hospice facility; and \$650.00 for each home care organization; and that during the same time period, the ancillary fees shall be: \$50.00 late fee for any hospice or home care application not filed by the date specified; \$325.00 processing fee for each reissuance or replacement hospice or home care license; and a one-time \$75.00 home care licensure exemption processing fee. The bill also requires the Board to promulgate regulations to establish fees by July 1, 2012.

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

Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>		<i>Positions</i>
	<i>GF</i>	<i>NGF</i>	
2010	\$0	\$0	0.00
2011	(\$400,000)	\$400,000	0.00
2012	(\$604,419)	\$604,419	0.00
2013	(\$604,419)	\$604,419	0.00
2014	(\$604,419)	\$604,419	0.00
2015	(\$604,419)	\$604,419	0.00
2016	(\$604,419)	\$604,419	0.00

7. **Budget Amendment Necessary:** No. The general fund supplant with the new revenues is included in Item 285 (Health Research, Planning and Coordination) in HB/SB 30.

8. **Fiscal Implications:** The fiscal impact of this proposed legislation is limited to the increasing of fees and supplanting general fund appropriation with the new fee revenues in this program. It does not include any additional spending. The proposed fee schedule for the five licensing services should collect an additional \$400,000 in revenues in FY 2011 and \$604,419 in FY 2012.

There is a sizeable difference between the current fee revenues and the costs of providing the five licensing services. For example, the revenue needed to support the costs of licensing outpatient hospitals in FY 2008 was approximately \$35,360, but the revenue collected from the current fee (\$75.00) was \$3,900. This means the current fee recovered only 11 percent of the cost of operating the program in FY 2008. The new fees proposed for in-patient hospitals, outpatient hospitals, and nursing homes would fully support these three programs. The proposed new fees, as a percentage of the budget for the in-patient, outpatient hospitals, and nursing homes, would constitute a relatively minor financial adjustment. It is also important to note that the fees for in-patient hospitals, outpatient hospitals and nursing homes have not been modified since 1979.

The proposed fees for the two licensing categories (home care organizations and hospice inspection programs) have been adjusted downward from what is required to fully fund these two programs due to the relatively small size of the average home care organization and hospice program. The intent is to minimize the impact on operations for these two licensed entities. The fee for home care organizations was last adjusted in 2005 and the fee for hospice inspection programs was adjusted back in 2006.

The introduced budget bill reduces the Virginia Department of Health's general fund appropriation by the amount of the estimated additional revenue each year. The new fees will not eliminate the need for ongoing general fund support, since it does not fully support the home care organizations and hospice inspections programs.

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

10. Technical Amendment Necessary: No.

11. Other Comments: An increase in costs for hospitals and nursing facilities could potentially impact the Medicaid reimbursement costs. The proposal may impact those localities (cities and counties) that operate inpatient hospitals, nursing facilities, home care organizations, or hospices. However, few localities operate medical care facilities and services affected by this legislation.

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