

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 05/29/2012  
POSITION: Oppose

BILL NUMBER: SB 1228  
AUTHOR: Alquist, Elaine

**BILL SUMMARY: Small house skilled nursing facilities.**

This bill would: (1) define a small house skilled nursing facility (SHSNF), (2) add SHSNFs to the list of skilled nursing facilities (SNFs) licensed by the Department of Public Health (DPH), (3) define the criteria for SHSNF licensure, and (4) require the DPH to develop regulations related to SHSNFs.

**FISCAL SUMMARY**

This bill would result in increased costs for the DPH to revise regulations to include SHSNFs, which would require 1.0 Health Facilities Evaluator Nurse full-time limited-term position and \$119,000 special fund annually for a period of 4 to 6 years. There are no anticipated costs associated with additional licensure activities as these facilities would be a subset category of existing SNFs and represent a small percentage of the total SNFs. It is unclear whether this bill would impact reimbursement rates and expenditure growth associated with long-term care benefits in the Medi-Cal program.

**COMMENTS**

The Department of Finance is opposed to this bill as it would result in increased costs to the state to develop regulations to permit licensure of a new type of health facility. Although the author's office asserts savings could be achieved by establishing SHSNFs, it is unclear at this time whether these savings would materialize. If SHSNFs become a more expensive option due to the lack of economies of scale as compared to traditional SNFs, this bill could place upward pressure on Medi-Cal rates for long-term care facilities.

Existing law defines SNFs and requires the DPH to license all health facilities. This bill would add SHSNFs as a licensure subset category of SNFs and require the DPH to adopt regulations to implement this bill.

The author's office states the creation and use of SHSNFs could reduce Medicare and Medicaid costs by \$1,400 to \$2,300 per resident annually, based on information in an unpublished 2012 study, but SHSNFs currently are not cost-effective to establish under existing state requirements. The bill's objective in adding the category of SHSNFs would be to deliver better clinical outcomes, more direct care time, and greater resident engagement at the same operating cost as traditional nursing homes. However, at this time, Finance is unable to confirm these potential savings.

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Analyst/Principal (0553) B.Nunes	Date	Program Budget Manager Ken DaRosa	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

**BILL ANALYSIS--(CONTINUED)**

**AUTHOR**

**AMENDMENT DATE**

**BILL NUMBER**

Alquist, Elaine

05/29/2012

SB 1228

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2012-2013	FC	2013-2014	FC	2014-2015
4265/PublicHealth	SO	No	A	70	A	119	A	119 3098
<u>Fund Code</u> 3098	<u>Title</u> Licensing and Certification Prog Fd, PH							