

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1979-01  
Bill No.: SB 446  
Subject: Elderly; Disabilities; Nursing and Boarding Homes; Health Department; Fire Protection  
Type: Original  
Date: February 13, 2007

Bill Summary: This proposal modifies provisions relating to fire safety standards in long-term care facilities.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	( <u>Greater than \$200,000</u> )	( <u>Greater than \$200,000</u> )	( <u>Greater than \$200,000</u> )
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Greater than \$200,000)</b>	<b>(Greater than \$200,000)</b>	<b>(Greater than \$200,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Public Safety, Office of Administration** and the **Missouri Health Facilities Review Committee** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Department of Social Services** assume the proposed legislation will not have an impact for the next three years. Long-term Care (LTC) facilities that enter the Medicaid program after August 28, 2007 will be required to have an approved sprinkler system. Since 2001, all newly constructed facilities are required to have a sprinkler system. It is assumed that any facility entering the Medicaid program will be newly constructed or built after 2001.

Nursing Facilities are already required to have a fire alarm system so there will not be an impact relating to the requirement that all LTC facilities must be equipped with a complete fire alarm system.

#### Long Range Implications:

The date (August 23, 2010) when current LTC facilities are required to have a complete sprinkler system is outside the time frame of this fiscal note. Of the facilities without a sprinkler system or an incomplete sprinkler system, some may experience an increase in their per diem but it would be limited to less than \$.05 per day.

There are 500 nursing facilities in the Medicaid program. Approximately 89% of the Medicaid certified facilities in Missouri have a complete sprinkler system. There are 11% that do not have any type of sprinkler system or the system is not complete, is out of date, etc. Of the 11%, 34 facilities do not have any type of sprinkler system.

ASSUMPTION (continued)

The Medicaid reimbursement regulation for nursing facilities reimburses skilled nursing facilities for capital costs based on a fair rental value system (FRV) and is included in the capital component of the reimbursement rate. The reimbursement determines a fair value for a facility based on specific characteristics of a facility such as age of the facility or beds, number of beds, major improvements made after initial construction and bed additions. The addition of a sprinkler system would be considered a major improvement. Costs for major improvements are converted to what is called a bed equivalent in the FRV calculation. The 2005 bed equivalent cost is \$43,107. This means an improvement must cost over \$43,107 to add one bed to the FRV calculation. The other part of the equation is the age of a facility which has impact on the rate that computes in the FRV. The addition of bed equivalents at a later date may change the average age of a facility. The average age of a facility needs to be lowered in order to increase the final per diem rate that is computed through the FRV.

A typical complete sprinkler system would cost \$5.00 per square foot to install. For a typical facility with 300 square feet per bed, a 100 bed facility would have 30,000 square feet. The cost of a complete sprinkler system would be \$150,000. This cost divided by the bed equivalency of \$43,107 would result in 3 bed equivalents. In most cases, the addition of 3 beds would not change the average age of a facility or change the average age less than one year, which in turn does not produce a higher per diem rate.

Also, the capital rate would not be changed unless there is a rebasing of the Medicaid per diem rates. Currently there are no plans to do so.

Officials from the **Department of Mental Health (DMH)** states the Department has no facilities covered under Section 198 RSMo, but there are many contracted private providers covered under Section 198 RSMo. Based on information included in the Federal Register, Vol. 71, No. 208/Friday, October 27, 2006/Proposed Rules, the following is offered:

Renovation costs to install a fire sprinkler are two to three times higher than while the building is under construction. The cost of renovation is higher, because installation must be performed in a piece-meal fashion while the building is occupied.

The average cost per square foot for installation as part of the building's construction is \$2.05, while the average cost of installation in an existing occupied building is \$4.10 to \$6.15 per square foot. An additional \$1,000 is required annually to test and maintain the fire sprinkler system.

ASSUMPTION (continued)

<u>No. of Beds</u>	<u>\$4.10/Square Foot</u>	<u>\$6.15/Square Foot</u>
<50 beds	\$100,450	\$150,675
50-99 beds	\$151,700	\$227,550
100-199 beds	\$305,450	\$458,175

It should also be noted that there may be cases where an existing facility is constructed that will not be conducive to the installation of a fire sprinkler system that will comply with NFPA 13. Also, when renovating existing construction built before the 1980's, additional costs may develop due to the required abatement of hazardous materials to complete the project.

Officials from the **Department of Health and Senior Services** assume the proposal would have a greater than \$100,000 fiscal impact on their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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**GENERAL REVENUE FUND**

<u>Costs - Department of Mental Health</u> Contractor costs	<u>(Greater than</u> <u>\$100,000)</u>	<u>(Greater than</u> <u>\$100,000)</u>	<u>(Greater than</u> <u>\$100,000)</u>
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<u>Costs - Department of Health and Senior</u> <u>Services</u> Program costs _____	<u>(Greater than</u> <u>\$100,000)</u>	<u>(Greater than</u> <u>\$100,000)</u>	<u>(Greater than</u> <u>\$100,000)</u>
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<b>ESTIMATED NET EFFECT ON</b> <b>GENERAL REVENUE FUND</b>	<b><u>(Greater than</u></b> <b><u>\$200,000)</u></b>	<b><u>(Greater than</u></b> <b><u>\$200,000)</u></b>	<b><u>(Greater than</u></b> <b><u>\$200,000)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### FISCAL IMPACT - Small Business

Private residential facilities licensed under Section 198 RSMo will be affected by the added cost to install and maintain fire sprinkler systems.

### FISCAL DESCRIPTION

This legislation modifies provisions relating to fire safety standards in long-term care facilities.

Under current law, all facilities licensed after October 2000, must have either a National Fire Protection Association (NFPA) 13 (commercial) or NFPA 13R (residential) sprinkler systems installed. This legislation requires that by August 30, 2010, all facilities licensed by the Department of Health and Senior Services shall install and maintain commercial (NFPA 13) sprinkler systems. This legislation specifies which facilities among skilled nursing, intermediate care, residential care and assisted living shall install commercial sprinkler systems by August 28, 2007. The requirements take into account whether such facility is single-story, multi-story, accepts individuals who can exit the facility with or without minimal assistance and whether the facility is initially licensed on or after August 28, 2007. In instances where exceptions are made, such facilities shall install and maintain residential sprinkler systems or shall continue to comply with the department's requirements for testing, inspection and maintenance of the systems that were in effect on August 28, 2007.

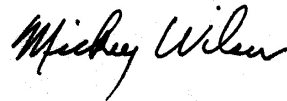
This legislation also provides that by August 28, 2010, all long-term care facilities licensed by the Department shall be equipped with a complete fire alarm system in compliance with the 1997 Life Safety Code for Existing Health Care Occupancy. Facilities with floor width and floor length not exceeding 75 feet do not need smoke sections.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Public Safety  
Office of Administration  
Missouri Health Facilities Review Committee  
Department of Health and Senior Services  
Department of Social Services  
Department of Mental Health

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, slightly slanted style.

Mickey Wilson, CPA  
Director  
February 13, 2007