Multiple Agency Fiscal Note Summary

Bill Number: 1095 S HB	**Title:** Nurse staffing at hospitals

Estimated Cash Receipts

NONE

Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Health	2.9	0	695,000	2.9	0	626,000	2.5	0	566,000
University of Washington	Fiscal note not available								
Total	**2.9**	**$0**	**$695,000**	**2.9**	**$0**	**$626,000**	**2.5**	**$0**	**$566,000**

Local Gov. Courts *									
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

Prepared by: Ryan Black, OFM	**Phone:** 360-902-0417	**Date Published:** Preliminary 3/12/2013

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 35021

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Bill Number: 1095 S HB	Title: Nurse staffing at hospitals	Agency: 303-Department of Health

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

		FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years		1.6	4.2	2.9	2.9	2.5
Account						
General Fund-Private/Local -7	001	219,000	476,000	695,000	626,000	566,000
	Total $	219,000	476,000	695,000	626,000	566,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Mary Mulholland	Phone: 360-786-7391	Date: 03/06/2013
Agency Preparation:	Christopher Morrison	Phone: 236-4538	Date: 03/11/2013
Agency Approval:	Kristin Bettridge	Phone: (360) 236-4530	Date: 03/11/2013
OFM Review:	Ryan Black	Phone: 360-902-0417	Date: 03/11/2013

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill is very similar to HB 2519 and SSB 6307 proposed in the 2012 legislative session. This fiscal note has lower costs than the prior year's bill because section 5 now only requires an audit upon receipt of a compliant. The 2012 bills required an audit of hospital compliance regardless if a complaint was received by the department.

Section 3: Beginning June 30, 2016, each hospital will submit a nurse staffing plan to the Department of Health (DOH) on at least an annual basis.

Section 4: Requires hospitals to collect information regarding nurse staffing and submit to DOH semiannually. DOH will adopt rules to collect and evaluate specified data and the means to make the information available to the public by posting it in public areas of the hospital and making it available through the internet.

Section 5: DOH will conduct an investigation upon receipt of complaints for violations of this bill. If the hospital has had a final finding of a violation related to this bill within the previous twenty-four months, DOH will also conduct an audit of the hospital's compliance with this bill.

If a violation has occurred, DOH will require the hospital to submit a corrective plan of action. In the event a hospital fails to submit or fails to follow a submitted corrective plan of action, the department may impose a civil penalty of $10,000. In addition, if a hospital is found to have knowingly committed violations or repeated violations, the department may suspend or revoke the hospital license and/or impose a civil penalty as follows: first violation $2,500; second violation $5,000; third and each subsequent violations within a six month period $10,000 for each violation. This section also requires DOH to maintain, for public inspection, records of any civil penalties, administrative actions, or license suspensions or revocations imposed on hospitals under this section.

Section 6: Requires DOH to adopt rules as necessary to implement sections 2 through 5 of this bill.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Current law RCW 43.70.250 requires that health facilities be fully self-supporting and that sufficient revenue be collected through license fees to cover the costs of administering the hospital program. Nothing in this legislation creates a new fee nor does it authorize increasing fees for the programmatic changes contained in the bill. Without fee authority in the bill, DOH cannot collect the revenue necessary to implement this bill's changes. If the bill were to include the necessary fee authority, cash receipts would be: $219,000 in fiscal year (FY) 2014, $476,000 in FY 2015, and $343,000 in FY 2016. Starting in FY 2017 and ongoing, cash receipts would be $283,000 each year.

Section 5: This bill gives the department authority to impose a civil penalty to hospitals for non-compliance up to $10,000 based on the violation. This fiscal note does not include any projected revenues that may be derived from non-compliance since it is assumed that all hospitals will stay in compliance.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Rules

Sections 4 & 6: In FY 2014 and FY 2015, DOH with stakeholder input, will develop and adopt rules for nurse staffing requirements in hospitals. Also included in the rulemaking, the department will determine an effective means for making the information collected regarding nurse staffing available to the public. These rules will be controversial and require six stakeholder meetings in Tumwater and Kent and two formal rule hearings. Based on past experience with similar bills DOH will need to contract with an outside facilitator for stakeholder meetings and an outside expert for developing the patient assignment limits. The rule facilitator and patient assignment expert are projected to cost $19,600 and $30,000, respectively. Rulemaking costs for staff and associated costs, Office of Attorney General (OAG) time, personal service contracts, and travel will be 0.3 FTE and $71,000 for FY 2014 and 0.3 FTE and $55,000 in FY 2015.

Information Technology (IT)

Sections 3 & 4: An online reporting and report generation system will be required beginning June 30, 2016. This system will provide hospitals with a Web interface that allows for their electronic submission of data, and will display the data collected on the agency Web site. This system will be designed, built, and maintained by DOH staff. Costs will include IT staff and associated costs, for a total of 0.5 FTE and $67,000 in FY 2016, and 0.1 FTE and $7,000 in FY 2017 and each year thereafter.

Audits, Investigations, Legal, and Program Implementation

Section 5: Having knowledge of similar hospital complaints, DOH assumes frequent complaints resulting in hospitals always having a finding of violation within the past twenty-four months.

Beginning in FY 2014, DOH will conduct an audit of the hospital's compliance and investigate complaints of violations. Audits of this nature are complex and require a lot of time onsite obtaining and reviewing records. Each audit can take from two to three days onsite. The entire audit can take up to seven working days. Audits include things such as reviewing records, conducting interviews and writing reports. Many audits require follow up actions. Based upon current hospital complaints, DOH estimates 90 investigations in FY 2015 and then decreasing to 60 investigations in subsequent years. These investigations are complex due to the volume of records that need to be reviewed, the volume of interviews that have to be conducted on site, and the subsequent report writing. These types of investigations can take up to five working days to complete. If deficiencies are found then DOH will have to work with the facility on a plan of correction and monitor the hospital for future compliance.

Based upon past experience with hospitals one in four of the complaints investigated will result in a referral to DOH's legal department for review or legal action. This represents 22 additional cases in the first year and 15 additional cases per year in the following years.

A monetary penalty may be imposed for hospitals that are out of compliance with the nurse staffing plan. Also, a hospital

license may be revoked or suspended. The hospital has a right to a hearing to contest a revocation or suspension or civil fine. Because the department is assuming full compliance by hospitals, DOH expects nominal enforcement costs.

In addition to staff for audits and investigations, staff will be required for implementing the new Patient Assignment Limits Program beginning June 30, 2015. This will include reviewing the annual patient assignment limits staffing plans from all 96 hospitals, receiving the nurse staffing information collected by hospitals, acting as a resource to hospital nurse staffing committees, developing and maintain a Web site, and performing other duties necessary to administer the program. There will also be one-time equipment costs for new staff in both FY 2013 and FY 2014.

Costs include staff and associated costs and travel for a total of 0.9 FTE and $148,000 in FY 2014, 2.8 FTE and $421,000 in FY 2015, and starting in FY 2016, ongoing costs total 1.9 FTE and $276,000 each year thereafter.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	1.6	4.2	2.9	2.9	2.5
A-Salaries and Wages	124,000	301,000	425,000	413,000	374,000
B-Employee Benefits	38,000	92,000	130,000	128,000	116,000
C-Professional Service Contracts	32,000	17,000	49,000		
E-Goods and Other Services	21,000	51,000	72,000	67,000	60,000
G-Travel		9,000	9,000	12,000	12,000
J-Capital Outlays	3,000	1,000	4,000	1,000	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	1,000	5,000	6,000	5,000	4,000
9-					
Total:	$219,000	$476,000	$695,000	$626,000	$566,000

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
Fiscal Analyst 2	45,828	0.2	0.6	0.4	0.5	0.4
Health Svcs Conslt 1	44,712	0.2	0.5	0.4	0.4	0.3
HEALTH SVCS CONSLT 2	53,148		0.3	0.2	0.2	0.2
HEALTH SVCS CONSLT 3	61,632	0.1	0.5	0.3	0.2	0.2
HEALTH SVCS CONSLT 4	68,016	0.2	0.2	0.2		
HEARINGS EXAMINER 3	78,900		0.2	0.1	0.1	0.1
INFO TECH SYSTEMS/APP SPEC 6	87,096				0.1	
INFORMATION TECH SPEC 5	78,900				0.2	
NURSING CONSULTANT,	68,016	0.9	1.9	1.4	1.3	1.3
INSTITUTIONAL						
Total FTE's	586,248	1.6	4.2	2.9	2.9	2.5

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 4: The department will adopt rules regarding nurse staffing requirements in hospitals.

Section 6: The department will adopt rules necessary to implement sections 4 and 5 of this act and RCW 70.41.240 (Information regarding conversion of hospitals to nonhospital health care facilities)

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 1095 S HB	Title: Nurse staffing at hospitals

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

[ ] Cities:

[ ] Counties:

[X] Special Districts: For public hospital districts due to increased staffing; for increased data collection, analysis, and reporting to the Department of Health; for responding to investigations and audits of compliance

[ ] Specific jurisdictions only:

[X] Variance occurs due to: Staffing levels vary between hospitals

Part II: Estimates

[ ] No fiscal impacts.

[ ] Expenditures represent one-time costs:

[ ] Legislation provides local option:

[X] Key variables cannot be estimated with certainty at this time: Number of staff that may need to be hired; number and costs of audits

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Graham Parrington	Phone: 360-725-5033	Date: 03/11/2013
Leg. Committee Contact: Mary Mulholland	Phone: 360-786-7391	Date: 03/06/2013
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 03/11/2013
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 03/12/2013

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill would establish minimum nurse-staffing ratios for all hospitals, create mechanisms for compliance, and increase reporting requirements to the Department of Health (DOH).

SUMMARY OF CHANGES IN THIS VERSION:
Section 4 of this version would have fewer new reporting requirements compared to the original version. The following reporting requirements were eliminated: the number of deaths among surgical inpatients, rates of patient falls with injuries, use of physical restraints, catheter-associated urinary tract infections, central-line-associated blood stream infections, psychiatric patient assaults, pressure ulcers, and "other measures established by the Department."

Section 5 in this version would require the DOH to conduct an investigation upon receipt of a complaint, but would only conduct an audit of compliance if there has been a finding of a violation of sections 2 or 4 of this bill within the previous 24 months. In the original bill, the DOH would have been required to conduct an audit of compliance with the provisions of this bill each time a complaint was received.

SUMMARY OF CURRENT BILL:
Section 2 would require the Department of Health (DOH), with stakeholder input, to establish patient assignment limits by June 30, 2015. The established patient assignment limits would apply to all hospitals in the state and will be the minimum nurse staffing standard.

Section 3 would require hospitals to submit a patient care unit and shift-based nurse staffing plan to DOH on at least an annual basis.

Section 4 would require hospitals to collect information regarding nurse staffing and submit it to DOH semiannually. DOH will adopt rules to collect and evaluate specified data and the means to make the information available to the public by posting it in public areas of the hospital and making it available through the internet.

Section 5 would require the department to conduct investigations of hospitals upon receipt of complaints of violations under Sections 2 and 4. When found to be out of compliance, DOH will require the hospital to submit a corrective plan of action. If a complaint is received by DOH regarding a hospital that has had a violation in the prior 24 months, DOH will conduct an audit of the hospital's compliance with this bill. In the event a hospital fails to follow a submitted corrective plan of action, the department may impose a civil penalty of $10,000. In addition, if a hospital is found to have knowingly committed violations or repeated violations, the department may suspend or revoke the hospital license and/or impose a civil penalty as follows: first violation $2,500; second violation $5,000; third and each subsequent violations within a six month period $10,000 for each violation. This section also requires DOH to maintain for public inspection, records of any civil penalties, administrative actions, or license suspensions or revocations imposed on hospitals under this section.

Section 6 would require DOH to adopt rules as necessary to implement sections 2, 4, and 5 of this bill.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

CHANGES FROM EXPENDITURE IMPACTS IN PREVIOUS BILL VERSION:
This version would have less expenditure impacts to public hospital districts due to a reduction of data that would be required to be reported to the DOH, though the impacts are still indeterminate, and may still vary between public hospital districts due to variations in current staffing levels. This version of the bill would not require a compliance audit for every complaint made to DOH regarding staffing levels, instead requiring an audit if there has been a finding of violation in the past 24 months. However, DOH assumes frequent complaints related to this bill, resulting in hospitals always having a finding of violation within the past 24 months, which would mean that all or, nearly all, complaints accepted for investigation by DOH would trigger an audit. Therefore, no change is expected in the cost of responding to investigations and audits for public hospital districts (PHDs).

SUMMARY OF EXPENDITURE IMPACTS IN CURRENT BILL VERSION:
This bill would have indeterminate cost impacts to public hospital districts due to the possibility of having to hire additional nurses, as well as the administrative cost of complying with the administrative and reporting requirements in sections 3 and 4. There may also be cost impacts as a result of cooperating with compliance audits resulting from complaints, under Section 5. Data were not available to quantify the magnitude of these costs, but the greatest portion of costs is expected to come from hiring additional nurses. Estimating the cost impacts is not possible because the nurse ratios would be established by the DOH through a rule-making process after passage of the legislation.

ADMINISTRATIVE, AUDIT, AND MONETARY CIVIL PENALTY COSTS:
There would be indeterminate administrative costs as a result of PHDs reporting patient care unit and shift-based nurse staffing plans to DOH on at least an annual basis. DOH assumes that they will create an online reporting web interface for reporting.

There would also be costs associated with responding to and cooperating with DOH investigations and audits resulting from complaints of violations under Section 5. It is assumed that there would be no fee paid to DOH for audits resulting from complaints of violations. According to DOH assumptions for this version of the bill, hospitals will always have had a finding of violation in the previous 24 months; therefore no change is expected in the cost of responding to investigations and audits for PHDs. According to DOH, audits of this nature are complex and require a lot of time onsite obtaining and reviewing records. Each audit can take from two to three days onsite. The entire audit can take up to seven working days for DOH auditors. Audits include things such as reviewing records, conducting interviews, and writing reports. Many audits require follow up actions. Responding to auditor requests for records and staff interviews would require hospital staff time with associated costs.

DOH estimates that there would be 90 investigations in fiscal year 2015, decreasing to 60 investigations in subsequent fiscal years. Of the 97 community general hospitals in Washington, 43 are operated by PHDs, which is 44 percent. Assuming these investigations would be distributed evenly among private nonprofit, public hospital district, and for profit hospitals, public hospital districts would respond to approximately 39 investigations in fiscal year 2015 (90 x 0.44), and 26 investigations in subsequent fiscal years (60 x 0.44). DOH estimates that currently 25 percent of investigations are referred to DOH's legal department for review or legal action. Assuming there would be 22 (90/4) additional investigations in fiscal year 2015 at hospitals operated by PHDs, there could be approximately 10 cases that year involving PHDs referred to DOH's legal department (22 x 0.44).

In subsequent fiscal years, PHDs could see approximately seven cases referred to DOH's legal department ((60 x .44)/4). It is not known how many cases the DOH legal department would act upon, but for those cases they would address, there would be indeterminate costs associated with drafting a corrective plan of action, as well as possible monetary civil penalties for knowingly committing violations, or for repeated violations. Civil penalties would be $2,500 for the first violation, $5,000 for the second violation, and $10,000 for the third and each subsequent violation with a six month period. However, DOH assumes that all hospitals would stay in compliance. DOH estimates that there will be approximately $421,000 in costs associated with investigations and audits in fiscal year 2015, and $276,000 in costs in subsequent years. It is assumed that the costs associated with audits to hospitals would be much less than the costs to DOH. For purposes of illustration, if 44 percent of audits were conducted at hospitals operated by PHDs, it would likely cost PHDs less than $185,240 in fiscal year 2015 and less than $121,440 in subsequent fiscal years.

NURSE STAFFING COSTS:
An estimate provided by MultiCare Health, citing data from hospitals in California -- the only state that has implemented similar legislation -- put the costs for mid-sized hospitals at over $1,000,000 each year on average, although it is unknown if any of these estimates came from hospitals operated by public health districts. However, research by the California Healthcare Foundation studied the effects of similar legislation enacted in California in 1999, and found that the legislation had "at most a marginal impact on hospital financial stability." The study also found that some hospitals, mostly nonprofit, public, and district hospitals, already had adequate staffing levels, though most hospitals reported having to hire some extra registered nurses. Costs were much higher at for-profit hospitals, which were operating with a lower nurse to patient ratio than public or nonprofit hospitals prior to passage of the legislation. Some hospitals created a "float-pool" nurse, or nurses to cover break and meal times to satisfy "at-all-times" language in the California legislation that also appears in this bill. For purposes of illustration, if each of the 43 hospitals operated by a public hospital district hired one additional nurse, the annual statewide cost, not including benefits, would be approximately $2,643,468 (43 x $61,476), using salary data from the Association of Washington Cities for Public Health Nurses.

However, according to the WSNA, there may be some cost savings as a result of potentially reduced turnover and injuries among nurses, as well as potentially reduced medical errors and patient deaths. The California Healthcare Foundation study found an overall modest reduction of staff turnover at all hospitals in the state, especially among district and public hospitals. According to the WSNA, each hospital-acquired infection costs a hospital on average $14,000. Research that indicates that increased nurse staffing can have cost savings for hospitals (Lichtig, Knauf & Milholland). However, the California Healthcare Foundation study found mixed results among patient safety measures trends, and the study did not find a net cost-savings for hospitals as a result of the legislation. A meta-analysis of available research found an association between increased registered nurse staffing and lower odds of hospital-related mortality and adverse patient events (Kane, Shamliyan, Mueller, Duval, Wilt), but these staffing levels were achieved through a variety of strategies, so it is impossible to extrapolate the impacts to hospital-related mortality rates, and associated cost savings, that this legislation could have, based on the available research.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

None

SOURCES:

Association of Washington Public Hospital Districts' website. Retrieved from: http://www.awphd.org/
2012 Association of Washington Cities Salary Survey Data
Department of Health Fiscal Note
Washington State Hospital Association
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Washington State Nurses Association
Anne Tan Piazza, Washington State Nurses Association via TVW
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2012 Fiscal Note for 6307 P2SSB
Lichtig, Knauf & Milholland. "An Integrated Analysis of Nurse Staffing and Related Variables: Effects on Patient Outcomes." 1999. Retrieved from: http://www.nursingworld.org/MainMenuCategories/ANAMarketplace/ANAPeriodicals/OJIN/Columns/KeynotesofNote/StaffingandVariablesAnalysis.html
Kane, Shamliyan, Mueller, Duval, Wilt. "The association of registered nurse staffing levels and patient outcomes: systematic review and meta-analysis." University of Minnesota School of Public Health. 2007. Retrieved from: http://www.ncbi.nlm.nih.gov/pubmed/18007170
Local government fiscal note for original version
House Bill Analysis for original version
House Bill Report for substitute version