

## Department of Planning and Budget 2002 Fiscal Impact Statement

1. **Bill Number** HB293

**House of Origin**     Introduced     Substitute     Engrossed  
**Second House**     In Committee     Substitute     Enrolled

2. **Patron**        McDonnell

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

4. **Title**            Health planning

5. **Summary/Purpose:** This legislation would eliminate the State Health Planning Board and five regional health planning agencies and assign to the Board of Health (BOH) and the Virginia Department of Health (VDH), the planning agencies' existing responsibilities with respect to the Certificate of Public Need Program (COPN). These responsibilities include conducting public hearings and soliciting responses from applicants to public comments made about COPN projects. The bill also contains a new requirement that the VDH collect local data for each completed COPN application within 60 days of the beginning of the application's batch cycle. The Board of Health would be required to promulgate emergency regulations to implement this legislation.

6. **Fiscal impact estimates are tentative**

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	-	6.0	NGF(COPN Revenue)
2002-03	(\$528,627)	-	GF
2002-03	-	6.0	NGF(COPN Revenue)
2003-04	(\$528,627)	-	GF

7. **Budget amendment necessary:** Yes, item 311. In addition to an increase in non-general fund positions, language in item 311 regarding the annual (\$528,627) and supplemental (excess special funds) appropriations for the regional health planning agencies would need to be modified or eliminated.

8. **Fiscal implications:** The Certificate of Public Need Program (COPN) in the Virginia Department of Health (VDH) currently operates with 8.5 classified and wage employees and averages approximately \$663,000 in annual expenditures. The fiscal year 2002 budget for the five regional health planning agencies is estimated at \$1,002,053 (\$528,627 GF and any excess COPN revenue which is estimated at \$473,426 per item 311). This funding is distributed proportionately by VDH to the health planning agencies based upon regional population data.

The COPN program receives and reviews approximately 82 applications each year. Existing program staff cannot absorb the additional responsibilities of conducting public hearings, soliciting public comments from applicants and collecting local service data on each COPN project. For example, the five regional agencies conduct approximately 60 public hearings

(some involve more than one COPN project) annually. If VDH were to assume the handling of the public hearing process, the agency estimates it would require an additional position to perform this function. Additionally, the workload associated with soliciting responses from applicants to public comments and collecting local service data on 82 COPN projects is likely to require at least two more positions.

Under the existing Memorandum of Agreement (MOAs), VDH contracted with the five regional planning agencies to assist in revising components to the State Medical Facilities Plan, conducts special studies, aid VDH and the Virginia Health Information, Inc. in updating health facility and service data, and help Area Health Education Centers in the planning and development of educational programs. Although the bill does not specifically address these particular work products, it does give permissive authority to the Board of Health to develop state health plan, conducts special studies of health issues, designate the geographic boundaries of health planning regions, and promulgate regulations concerning health planning. Accordingly, the bill acknowledges that some non-COPN related health planning activities should be continued by VDH following the elimination of the regional agencies. Further examination of the existing activities established per the MOAs would be required to assess the appropriateness of and VDH's obligation to continue them. After a preliminary evaluation of the MOA services, which attempted to eliminate entirely "local" planning activities, VDH estimates that a minimum of three additional positions would be needed by the Center for Quality Health Care Services and Consumer Protection to continue essential non-COPN related regional health planning services. This minimal level of staffing assumes that VDH would not have a regional presence and would not continue all of the functions currently being provided by the regional health planning agencies.

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Elimination of the five regional planning agencies, per this legislation, would require VDH to add at least six positions to assume additional COPN activities, as well as continue some of the state health planning activities outlined in the existing MOAs. The additional cost of these positions to VDH would be approximately \$56,250 per position for salaries and benefits. In addition, the agency estimates approximately \$5,000 per position for non-personal service expenses such as equipment, communications, supplies, and travel costs. It is further estimated that the one-time cost of promulgating the emergency regulations would be approximately \$5,000. The estimated on-going annual cost to the agency is estimated at \$367,500. This expense can be offset by the annual unexpended COPN application fee (again estimated at \$473,026 for FY2002) which would be retained by VDH as a result of this bill.

**9. Specific agency or political subdivisions affected:**

Virginia Department of Health  
Board of Health  
Five Regional Health Planning Agencies  
Virginia Health Planning Board

**10. Technical amendment necessary:** No

**11. Other comments:** None

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cc: Secretary of Health and Human Resources