

Department of Planning and Budget

2003 Fiscal Impact Statement

1. Bill Number HB1621

House of Origin ☐ Introduced ☒ Substitute ☐ Engrossed
Second House ☒ In Committee ☐ Substitute ☐ Enrolled

2. Patron Hamilton

3. Committee Health, Welfare and Institutions

4. Title Certificate of Public Need; regulations authorizing single application; proposed cancer care centers

5. Summary/Purpose:

The substituted bill amends §32.1 -102.2 of the *Code of Virginia* to include all certificate of public need (COPN) applications for radiation therapy, computed tomography (CT) scanning, magnetic resonance imaging (MRI), positron emission tomographic (PET) scanning, and nuclear medicine imaging in the batch review cycle established for radiation therapy. The amended SB1226 also expressly allow the filing of a single application for a combination of radiation therapy, computed tomography (CT) scanning, magnetic resonance imaging (MRI), positron emission tomographic (PET) scanning, and nuclear medicine imaging projects.

6. Fiscal Impact Estimates are: Preliminary

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03			
2003-04	\$67,250	1.00	0200-COPN Revenue
2004-05	\$66,250	1.00	0200-COPN Revenue

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03			
2003-04	\$100,000	n/a	0200-COPN Revenue
2004-05	\$100,000	n/a	0200-COPN Revenue

7. Budget amendment necessary: Yes, Special Fund Appropriation for the Expense Impact –
 Item 311 (Health Research, Planning and Coordination –Program 4060000)

8. Fiscal implications:

The bill as amended bundles the diagnostic imaging and radiation services that would be included under the umbrella of a comprehensive cancer center, into a single COPN review cycle. Diagnostic imaging services, such as computed tomography scanning, magnetic resonance imaging, nuclear medicine imaging and positron emission tomographic imaging, are currently reviewed twice each year in a review cycle that is separate from radiation therapy. Likewise, radiation therapy services are reviewed during two cycles each year in a separate review cycle from diagnostic imaging services, with a separate application fee.

Under the substitute bill, applicants proposing to establish radiation therapy and/or diagnostic imaging services could submit one application and choose between one of two time periods each year to submit their application. In addition, they would pay only one COPN application fee instead of two. The average COPN application fee has been \$20,000 for separately filed applications for diagnostic imaging and radiation therapy services.

Following passage of the bill, it is assumed that a total of three to five comprehensive cancer center applications may be received in the five regional health systems areas in Virginia in FY 2004 and in FY 2005. These applications would generate a total of \$100,000 in COPN fee revenue each year.

Under current regulations for COPN reviews and the established cycles or application windows for various services, and assuming this bill's passage, VDH's COPN review function would require an additional position in order to ensure that all reviews were completed in accordance with the established timelines. Assuming the bill's passage, VDH would propose updates to the existing COPN review regulations. Adjustments to the totality of the COPN reviews and the timing of their cycles in order to even out the workload over a calendar year without negatively impacting the costs to the applicants may reduce the additional staffing requirement. However, previous experience has shown that it can take up to two years to update the COPN regulations.

The salary and benefits for the additional FTE would be approximately \$62,500. Additional nonpersonal service expenses of \$3,750 per year are included and represent an estimated \$750 in recording fees for the informal fact-finding conference (IFFC) for each of the 5 projects. The estimated cost of promulgating the regulatory changes associated with this bill is \$1,000 and is included as a one-time expense in the FY 2004 expense impact.

Based on language in the 2002 Appropriation Act (and the 2003 Budget Bill), any COPN application revenue in excess of associated COPN review expenses incurred by the Virginia Department of Health is paid to the five regional Health Systems Agencies. The appropriation authority to make such payments is established by the appropriation of the prior fiscal year's excess COPN application revenue.

9. Specific agency or political subdivisions affected: Virginia Department of Health, Health Systems Agencies

10. Technical amendment necessary: No.

11. Other comments: This substitute HB 1621 is identical to the substitute SB 1226.

Date: 1/30/03/laf

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cc: Secretary of Health and Human Resources