

Department of Planning and Budget

2015 Fiscal Impact Statement

1. Bill Number: HB 2316

| | | | |
|------------------------|--|-------------------------------------|------------------------------------|
| House of Origin | <input checked="" type="checkbox"/> Introduced | <input type="checkbox"/> Substitute | <input type="checkbox"/> Engrossed |
| Second House | <input type="checkbox"/> In Committee | <input type="checkbox"/> Substitute | <input type="checkbox"/> Enrolled |

2. Patron: Kilgore

3. Committee: Counties, Cities, and Towns

4. Title: Southwest Virginia Health Authority; cooperative agreements.

5. Summary: Allows the Southwest Virginia Health Authority (the Authority) to review and approve cooperative agreements among two or more hospitals for the sharing, allocation, consolidation by merger or other combination of assets, or referral of patients, personnel, instructional programs, support services, and facilities or medical, diagnostic, or laboratory facilities or procedures or other services traditionally offered by hospitals. The Authority shall approve a cooperative agreement if it determines that the parties to the cooperative agreement have demonstrated by a preponderance of the evidence that the benefits likely to result from the agreement outweigh the disadvantages likely to result from a reduction in competition from the agreement. The bill also provides that activities conducted pursuant to cooperative agreements approved by the Authority and supervised by the Secretary of Health and Human Resources are immunized from challenge or scrutiny under the Commonwealth's antitrust laws. Furthermore, the City of Bristol is added to the Authority.

6. Budget Amendment Necessary: Indeterminate, see Item 8.

7. Fiscal Impact Estimates: Indeterminate, see Item 8.

8. Fiscal Implications: The fiscal impact that this bill would have on the Commonwealth cannot be determined. The Department of Health (VDH) has stated that any anticipated costs to the program would be a position supervising the cooperative agreements. Depending on the complexity and number of agreements, more than one position might be necessary. The positions would be paid for out of fee revenue, but the adequacy of current fees to cover these costs cannot be determined.

The supervisor would be responsible for verification of information published annually, promoting technological advancement, enhancing academic engagement in regional health, and strengthening the workforce for health-related careers. The department's Office of Licensure and Certification and the Office of Internal Audits provide similar functions and will be used as a model.

A Senior Auditor-level position (approximate \$65,000 annual salary, fringe, travel, and support costs) would likely be needed to conduct these reviews. Based on other programs, a typical audit takes 300 to 400 hours depending on complexity; planning the audit takes 75 to 100 hours, while performing field work makes up the remaining 200 to 300 hours. Communicating and writing the audit report typically takes an additional 25 hours. However, if the parties of the cooperative agreement disagree with the findings, the legislation gives them the right to appeal and hearing. Given the breadth and scope of major areas identified in the legislation, VDH estimates approximately 300 hours to address any concerns of interested parties.

9. Specific Agency or Political Subdivisions Affected: Department of Health.

10. Technical Amendment Necessary: No.

11. Other Comments: None.