

Department of Planning and Budget 2016 Fiscal Impact Statement

1. **Bill Number:** SB641

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

2. **Patron:** Stanley

3. **Committee:** Education and Health

4. **Title:** Certificate of public need.

5. **Summary:** Makes changes to the Medical Care Facilities Certificate of Public Need (COPN) Program. The bill (i) removes specialized centers or clinics or that portion of a physician's office developed for the provision of lithotripsy, magnetic source imaging (MSI), or nuclear medicine imaging from the list of reviewable medical care facilities; (ii) provides that establishment of a medical care facility to replace an existing medical care facility with the same primary service area does not constitute a project; (iii) removes introduction into an existing medical care facility of any new lithotripsy, magnetic source imaging, or obstetrical service that the facility has never provided or has not provided in the previous 12 months and addition by an existing medical care facility of any medical equipment for the provision of lithotripsy and magnetic source imaging (MSI) from the definition of project; (iv) creates a new process for registration of projects exempted from the definition of project by the bill; (v) establishes an expedited 45-day review process for applicants for projects determined to be uncontested or to present limited health planning impacts; (vi) renames the State Medical Facilities Plan as the State Health Services Plan and establishes a State Health Services Plan Advisory Council to provide recommendations related to the content of the State Health Services Plan; (vii) clarifies the content of the application for a certificate; and (viii) reduces the timeline for a person to be made party to the case for good cause from 80 calendar days to four days following completion of the review and submission of recommendations related to an application.

6. **Budget Amendment Necessary:** No.

7. **Fiscal Impact Estimates:** Preliminary, see item #8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	\$10,000		0100
2018	\$10,000		0100
2019	\$10,000		0100

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2017	(\$4,075)	0200

2018	(\$4,075)	0200
2019	(\$4,075)	0200

- 8. Fiscal Implications:** The fiscal implications this bill would have on the Commonwealth are preliminary.

Department of Health

The agency has stated that VDH’s level of responsibility is unclear and a total fiscal impact estimate cannot be determined. The Office of Licensure and Certification (OLC) estimate that approximately 2 projects per year will be exempted from COPN review by this bill. This exemption will result in the loss of approximately \$4,075 in annual revenues. The remaining revenues should be sufficient to cover costs of the ongoing workload.

The bill requires a registration process for those projects exempted from the COPN review. Registration shall include charity care conditions, the requirement the registrant obtain accreditation from a nationally recognized accrediting organization, and report utilization and other data to the Board of Health. As a result the agency could experience additional costs related to this legislation, however the agency’s role and responsibility are not specified and therefore it is not possible to determine an estimate of the full costs at this time. Additional information and time is needed to determine the costs and need for additional COPN staffing. Since the bill allows the Board of Health to establish fees through regulation to support COPN activities without restrictions, it is possible that the Board could adjust the fees to pay for the new registration program, and support of the Council.

The bill renames the State Medical Facilities Plan to the State Health Services Plan and establishes a State Health Services Plan Advisory Council (the Council), which is responsible for making recommendations to the Board of Health related to the content of the State Health Services Plan. The legislation also authorizes that Council to hire consultants or ask VDH to hire private organizations to support the goals of the Council. However, no funding source has been set out in the legislation. Assuming that support costs of this new Council must be borne by the department, OLC estimates the annual cost of such support to be approximately \$10,000. That estimate is based on the agency’s experience in supporting the 15 member Board of Health, whose annual costs include approximately \$5,098 for travel, \$2,257 for lodging, \$1,221 for meals, and \$1,425 for miscellaneous expenses for a total cost of the Council to roughly \$10,000 each year.

The bill requires a number of studies to be conducted by the Secretary of Health and Human Services, the Commissioner of Health and the Joint Commission on Health Care. The specific role of VDH is not clearly delineated with respect to each of these studies, but it is obvious the agency will be involved at some level. As a result it cannot be determined if additional positions would be needed to address this legislation.

Department of Medical Assistance Services

Any substantive changes to Certificate of Public Need (COPN) requirements are likely to have an impact on the cost of health care. However, analysis varies widely as to the ultimate

impact COPN requirements have on these costs and there are differences between specific legislation. While it is assumed that COPN legislation may have fiscal implications for the Department of Medical Assistance Services (DMAS), there is insufficient data to provide a definitive estimate. Under any scenario, it is unlikely that any COPN change would have a direct fiscal impact in the 2016-2018 biennium due to the time needed for capital planning and the delayed recognition of costs in Medicaid payment rates. Any significant costs are not likely to occur until after 2020 and, even then, such costs would be difficult to estimate based on the unknowns associated with COPN changes and the rapidly evolving nature of the health care system.

The agency does not believe that the provisions of this bill will have any costs because it is not expected to have a significant impact on health care capacity. It is assumed that the COPN services removed by the bill would have otherwise been approved under the current process.

9. Specific Agency or Political Subdivisions Affected: Department of Health and the Department of Medical Assistance Services.

10. Technical Amendment Necessary: No.

11. Other Comments: HB1083 introduced by Delegate Stolle is a companion bill.