

Department of Planning and Budget 2016 Fiscal Impact Statement

1. Bill Number: SB777

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: Barker

3. Committee: Education and Health

4. Title: Certificate of public need program.

5. Summary: Clarifies that the Certificate of Public Need (COPN) program is established to address cost containment in the delivery of health care services, indigent care, and the health care needs of underserved populations; quality of care and patient safety; access to care; distribution of essential health care services; and support for the unique research, training, and clinical mission of teaching hospitals in the Commonwealth. The bill directs the Board of Health (the Board) to adopt regulations establishing concise procedures for evaluating emerging technologies and health care delivery models, equipment, and facility types to determine whether such technologies, models, equipment, or facility types should be subject to the requirement of a certificate of public need and provides that the Commissioner of Health (the Commissioner) may condition certificates on the agreement of the applicant to (i) participate in the Commonwealth's program of medical assistance and provide access to medical care services to individuals receiving medical assistance under the state plan for medical assistance services and (ii) establish and maintain a charity care policy to provide free and discounted care to indigent individuals. The bill requires the Commissioner to develop recommendations for guidelines for the uniform implementation of such conditions and report his recommendations to the Board by November 1, 2016.

6. Budget Amendment Necessary: Yes.

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	\$78,000	1.00	0100
2018	\$78,000	1.00	0100
2019	\$78,000	1.00	0100

8. Fiscal Implications: The fiscal impact this bill would have on the commonwealth is preliminary.

Department of Health

The bill requires the Commissioner to establish an Advisory Group of Stakeholders to develop recommendations related to the role of regional health planning agencies in the certificate of public need process by October 1, 2016. The minimal expenses expected to be incurred by this group can be absorbed within the OLC budget.

The bill requires the Commissioner to evaluate emerging technologies and health care delivery models, equipment, and facility types and make recommendations to the Board of Health concerning whether they should be subject to the requirement of a certificate of public need by November 1, 2017. The bill also directs the Commissioner to develop uniform conditions for COPN approval related to the provision of charity care and participation in the Commonwealth's program of medical assistance under the State Plan for Medical Assistance Services. The current COPN staffing level is clearly not sufficient to support the work of the Advisory group, conduct the kinds of comprehensive healthcare system evaluations required, and; maintain compliance with the potential new COPN regulatory mandates emanating from such studies, without sacrificing equally important responsibilities. Maintaining compliance with COPN project review timeframes by existing COPN staff is critical since noncompliance results in automatic project approval.

In order to address the provisions of the bill, at least 1 Project Review Analysts would be needed at an annual cost of \$78,000, which includes salary and benefits, to handle the proposed new workload. However these estimates are preliminary and further study is needed to best determine what the costs and need for additional COPN staffing might be.

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 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 Department of Medical Assistance Services.

10. Technical Amendment Necessary: No.

11. Other Comments: None.