

## Department of Planning and Budget 2018 Fiscal Impact Statement

**1. Bill Number:** SB 757

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

**2. Patron:** Sturtevant

**3. Committee:** Education and Health

**4. Title:** Certificate of public need; psychiatric beds and services.

**5. Summary:** Repeals the requirement for a certificate of public need for certain projects involving mental hospitals or psychiatric hospitals and intermediate care facilities established primarily for the medical, psychiatric, or psychological treatment and rehabilitation of individuals with substance abuse. The bill creates a new permitting process for such projects, exempted from the certificate of public need process, that requires the Commissioner of Health to issue a permit upon the agreement of the applicant to certain charity care conditions and quality of care standards.

**6. Budget Amendment Necessary:** See item 8.

**7. Fiscal Impact Estimates:** See item 8.

**7b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2018	(20,000)	Nongeneral
2019	(20,000)	Nongeneral
2020	(20,000)	Nongeneral

**8. Fiscal Implications:**

**Virginia Department of Health:**

The bill shifts the focus away from the Certificate of Public Need (COPN) process to a new permitting process. Over the past four years, based on COPN applications for mental hospitals, psychiatric hospitals and intermediate care facilities established primarily for the medical, psychiatric, or psychological treatment and rehabilitation of individuals with substance abuse, it is estimated that one project will be exempted from COPN review by this bill. The fees associated with the one project that would be lost per year is \$20,000 NGF.

However, the bill states that permits may be set up to have similar conditions to the COPN program and specifies that the Board shall adopt regulations that include quality of care standards for permit holders, establish requirements for monitoring compliance with quality care standards, procedures for issuance and revocation of permits, and promulgate permit fees

to support the program. Therefore, permit fees are expected to replace any lost COPN application fee revenue by the end of FY 2020 and no fiscal impact is expected thereafter. The minimal requirements of the permitting process can be absorbed by current staff.

**Department of Medical Assistance Services:**

While it is assumed that Certificate of Public Need (COPN) legislation may have fiscal implications for the Department of Medical Assistance Services (DMAS), as one of the largest purchasers of health care services in Virginia, there is insufficient data to provide a definitive estimate of the cost impact of the proposed legislation. Under any scenario, it is unlikely that any COPN change would have a direct fiscal impact in the 2018-2020 biennium due to the time needed for implementation and the delayed recognition of costs in Medicaid payment rates. Any costs are not likely to occur until after 2022 and, even then, such costs would be difficult to estimate based on the unknowns associated with multiple COPN process and coverage changes and the rapidly evolving nature of the healthcare system.

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

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** None.