

Department of Planning and Budget 2019 Fiscal Impact Statement

1. **Bill Number:** SB1359

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:** Wagner

3. **Committee:** Education and Health

4. **Title:** Facilities providing imaging services; shared savings; exemption from certificate of public need.

5. **Summary:** Provides that a certificate of public need shall not be required for the addition of certain imaging services or for the addition by an existing facility of certain new imaging equipment, provided that the medical care facility complies with quality of care standards and charity care requirements established by the Board of Health. The measure also requires health carriers to establish a comparable imaging service incentive program, subject to approval by the Commissioner of Insurance, under which incentives are offered to a covered person who elects to receive a covered imaging service from a lower-cost provider. The measure requires health carriers to make available an interactive mechanism on their website that enables a covered person to compare costs between providers in-network, calculate estimated out-of-pocket costs, and obtain quality data for those providers, to the extent available.

6. **Budget Amendment Necessary:** Yes, see item #8.

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2020	(\$173,508)	-2	Nongeneral (02601)
2020	\$167,676	2	General
2021	(\$173,508)	-2	Nongeneral (02601)
2021	\$167,676	2	General
2022	(\$173,508)	-2	Nongeneral (02601)
2022	\$167,676	2	General
2023	(\$173,508)	-2	Nongeneral (02601)
2024	\$167,676	2	General
2024	(\$173,508)	-2	Nongeneral (02601)
2025	\$167,676	2	General
2025	(\$173,508)	-2	Nongeneral (02601)

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
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2020	(\$173,508)	Nongeneral (02601)
2021	(\$173,508)	Nongeneral (02601)
2022	(\$173,508)	Nongeneral (02601)
2023	(\$173,508)	Nongeneral (02601)
2020	(\$173,508)	Nongeneral (02601)
2024	(\$173,508)	Nongeneral (02601)
2025	(\$173,508)	Nongeneral (02601)

8. Fiscal Implications:

Virginia Department of Health: It is estimated that the number of projects exempt from COPN review, as long as the medical care facility complies with quality of care standards and charity care requirements established by the Board of Health, would be 12 based on a trend seen over the last three years. The revenue from fees associated with the loss of these projects is \$173,508 annually. There would also be a reduction in expenses associated with public hearings for these projects at an average cost of \$486 per hearing, for a total savings of \$5,832 per year.

The COPN program received 66 applications in 2018, which is the highest number of applications it has received in the last three years. Since 2016, each year has seen an increase in certain imaging services applications, rising from seven to 15 in 2018. The provisions of the bill would bring the total number of applications for COPN review to 54, which is more than the 50 total applications received in 2016. Since 2016, the COPN staff have been working to process an increase in COPN applications. A loss of 12 applications per year would not necessitate a reduction in staff. The COPN program would still receive approximately 54 total applications, 63 letters of intent, and make 48 decisions per year, which would require staffing at current levels to process and maintain current operations.

The administration of the COPN program is just one component within the Office of Licensure and Certification (OLC). The OLC acts as the agent for the Virginia Department of Health (VDH) in administering five state licensing programs such as hospitals, outpatient surgical hospitals, nursing facilities, home care organizations and hospice programs. In addition, the OLC administers the state's certification and registration programs for Managed Care Health Insurance Plans licensees (MCHIPs) and Private Review Agents (PRAs) and is the state survey agency for Medicare and Medicaid. The most visible activities conducted by the OLC are its inspection programs, which are used to satisfy both state licensure and Medicare/Medicaid requirements. In addition to regulatory compliance inspections, the OLC investigates consumer complaints regarding the quality of health care services received. While no additional staffing is necessary, the loss of revenue would impact current staffing levels necessary to perform other functions within OLC and COPN.

VDH has stated that it would require \$167,676 per year to retain the equivalent of two FTE's within the program. The COPN program has seven positions fully funded by COPN revenues; however, the decrease in workload is not enough to justify a reduction in staff. Additionally, there are four positions that are each partly funded by COPN revenues and in total comprise one FTE: an OLC Business Manager (0.25 FTE), the OLC Director (0.20

FTE), an accountant (0.25 FTE), and a policy analyst (0.35 FTE). The duties and responsibilities of these positions are deemed essential to continue normal operations within the OLC program and COPN. The elimination of the program would not negate the need for office management and administration of the rest of the office's responsibilities stated above. Therefore, the loss of revenue supporting these positions would need to be funded by the general fund to continue normal operations at the agency.

Department of Medical Assistance Services: While it is assumed that 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 significant 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 Virginia Department of Health and the Department of Medical Assistance Services.

10. Technical Amendment Necessary: No.

11. Other Comments: None.