

Department of Planning and Budget 2019 Fiscal Impact Statement

1. **Bill Number:** SB1361

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:** Certificate of public need.

5. **Summary:** Repeals the certificate of public need program.

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

7. **Fiscal Impact Estimates:**

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2020	(\$865,962)	-7	Nongeneral (02601)
2020	\$294,961	1	General
2021	(\$865,962)	-7	Nongeneral (02601)
2021	\$100,617	1	General
2022	(\$865,962)	-7	Nongeneral (02601)
2022	\$100,617	1	General
2023	(\$865,962)	-7	Nongeneral (02601)
2023	\$100,617	1	General
2024	(\$865,962)	-7	Nongeneral (02601)
2024	\$100,617	1	General
2025	(\$865,962)	-7	Nongeneral (02601)
2025	\$100,617	1	General

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020	(\$865,962)	Nongeneral (02601)
2021	(\$865,962)	Nongeneral (02601)
2022	(\$865,962)	Nongeneral (02601)
2023	(\$865,962)	Nongeneral (02601)
2024	(\$865,962)	Nongeneral (02601)
2025	(\$865,962)	Nongeneral (02601)

8. **Fiscal Implications:** This bill would have fiscal impact on the Commonwealth.

Virginia Department of Health:

Repealing the Certificate of Public Need (COPN) program would eliminate all revenues and expenditures from the COPN program, estimated at \$865,962 annually, which includes personnel expenses. 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.

There are seven positions (FTE) that are fully funded using COPN revenues and as a result would face layoffs with the elimination of the program. The seven positions that would be eliminated are: four policy and planning specialists, two administrative and office specialists, and one hearing and legal services officer. The total Workforce Transition Act costs for these positions are estimated to be \$194,344.

There are four positions that are each partly funded by COPN revenues and in total comprise one FTE. VDH would need \$100,617 from the general fund to support the 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. 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.

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:** Virginia Department of Health and the Department of Medical Assistance Services.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** None.