

Department of Planning and Budget 2019 Fiscal Impact Statement

1. Bill Number: SB1526

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: Sturtevant

3. Committee: Education and Health

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

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.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2020	\$61,060	0	General
2021	\$61,060	0	General
2022	\$27,727	0	Nongeneral (02601)
2023	\$27,727	0	Nongeneral (02601)
2024	\$27,727	0	Nongeneral (02601)
2025	\$27,727	0	Nongeneral (02601)

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020	(\$33,333)	Nongeneral (02601)
2021	(\$33,333)	Nongeneral (02601)
2022	\$27,727	Nongeneral (02601)
2023	\$27,727	Nongeneral (02601)
2024	\$27,727	Nongeneral (02601)
2025	\$27,727	Nongeneral (02601)

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 three years, based on COPN applications for 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, it is estimated that the number of projects exempt from COPN review by changing the definition of a “medical care facility” would range from zero to five. The revenue from fees associated with the loss of these projects would range from \$0 to \$100,000 annually.

The COPN program has an average revenue of \$803,003 over the past three years, since it is unknown how many projects will be affected, it is estimated that an average loss of three COPN applications, based on a range of zero to five projects possibly affected by this legislation per year, would be approximately a four percent, or a \$33,333 reduction in fee revenue.

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. However, the bill would not take effect until July 1, 2019, and any new regulations would not be effective for approximately 18 months from then. The revenue losses would need to be offset for the first 18 months until revenues from the new permitting program are realized. The specific conditions of the permitting program require monitoring and a part-time wage position to manage. The cost of such a position is approximately \$27,727 annually, which includes salary, fringe, and other VITA costs.

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:

10. Technical Amendment Necessary:

11. Other Comments: