

## Department of Planning and Budget 2020 Fiscal Impact Statement

**1. Bill Number:** HB1094

<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:** Miyares

**3. Committee:** Health, Welfare and Institutions.

**4. Title:** Certificate of public need; exception; physician-owned ambulatory surgery center.

**5. Summary:** Exempts physician-owned ambulatory surgery centers, as that term is defined in the bill, from the requirement of obtaining a certificate of public need before undertaking a project.

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

**7. Fiscal Impact Estimates:** Preliminary, see item 8.

**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2021	(\$77,517)	02601
2022	(\$77,517)	02601
2023	(\$77,517)	02601
2024	(\$77,517)	02601
2025	(\$77,517)	02601
2026	(\$77,517)	02601

**7b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2021	(\$77,517)	02601
2022	(\$77,517)	02601
2023	(\$77,517)	02601
2024	(\$77,517)	02601
2025	(\$77,517)	02601
2026	(\$77,517)	02601

**8. Fiscal Implications:**

**Virginia Department of Health:** It is estimated that the average number of projects each year that would be removed from COPN review would be five, based on historical trends over the last five years. The average application fee for these projects is \$15,503 per application. Exempting physician-owned ambulatory surgery centers from COPN review

will reduce the annual revenue for COPN by an average of \$77,517, which the agency can absorbed within existing resources. However, the loss of revenue will not reduce the need to maintain current staffing levels in order to maintain 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 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. With the reduction in fee revenue, VDH indicates that either current staffing levels necessary to perform other functions within OLC and COPN would have to be reduced or general fund would need to be provided to support remaining activities. A third option would be to raise fees on remaining activities, although the time frame to do so may be lengthy. The expenditure table in section 7a assumes the agency absorbs the loss of fee revenues and takes no position on the agency's decision whether or not to effect staff reductions.

**Department of Medical Assistance Services:** While it is assumed that legislation impacting Virginia's Certificate of Public Need (COPN) law 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 most proposed COPN legislation. Under any scenario, it is unlikely that most COPN changes would have a direct fiscal impact on Medicaid in the biennium in which it is proposed 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 for three to five years 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.