

Department of Planning and Budget

2016 Fiscal Impact Statement

1. **Bill Number:** HB689

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:** Peace

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

4. **Title:** Certificate of public need; exception for certain equipment and services.

5. **Summary:** Provides that a certificate of public need shall not be required for (i) the introduction into a medical care facility of any new imaging service or (ii) the addition by a medical care facility of any medical equipment for the provision of imaging services if (a) the medical care facility has obtained accreditation for the provision of such services from the appropriate accrediting body, (b) the medical care facility adheres to the American College of Radiology Appropriateness Criteria or other evidence-based national standards to discourage overutilization, (c) all equipment meets current industry technology standards as determined by the Commissioner of Health, and (d) the medical care facility agrees to provide imaging services to indigent individuals in an amount that equals the average amount of imaging services provided to indigent individuals in the previous year in accordance with the requirements of conditions on certificates of public need imposed pursuant to § 32.1-102.4 in the health planning region in which the physician's office is located. The bill also requires any person who becomes contractually obligated to acquire medical equipment for the provision of computed tomographic (CT) scanning, magnetic resonance imaging (MRI), magnetic source imaging (MSI), positron emission tomographic (PET) scanning, or nuclear medicine imaging to register such acquisition with the Commissioner within 30 calendar days.

6. **Budget Amendment Necessary:** Yes.

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	217,853		0100
2018	217,853		0100

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2017	(\$217,853)	0200
2018	(\$217,853)	0200

8. **Fiscal Implications:** The total impact this bill would have on the Commonwealth cannot be determined at this time and any fiscal implications are preliminary.

Department of Health

The Department of Health (VDH) has stated that further study is needed before more definitive conclusions can be made concerning the fiscal impact of the proposed requirements.

The bill exempts imaging services from Certificate of Public Need (COPN) requirements if the conditions that are established in the bill are met, including registering that facility with the Commissioner. VDH as a result would need to implement a registration issuance and revocation process, as well as establish a procedures for monitoring compliance by all registrants with the agreed upon charity care and quality of care standards. It is assumed that the numbers of requests for registration generated by this bill will be at least be equal to, and most likely exceed the current yearly average of 18 existing COPN projects that will be eliminated by the bill. Other states have experienced a growth in the number of permit requests when the more extensive COPN process is eliminated. Additionally, considerable time will have to be devoted to establishing and enforcing compliance with the charity care and quality of care standards for each registrant, along with ongoing activities such as COPN project reviews, monitoring progress reports, responding to Freedom of Information Act requests, and maintaining a COPN website. These services justify maintaining COPN staffing at current levels. This is critical since noncompliance with COPN project review timeframes results in automatic project approval.

The bill does not charge the Board of Health with the responsibility of establishing registration fees to support the new registration program. In order to cover the cost of the provisions of this bill, the agency estimates it would need \$213,853 general fund to support the new registration program because it is estimated that the numbers of requests for registration generated by this bill will be at least be equal to the current COPN projects that will be eliminated by the bill, as well as to maintain the COPN program at current levels.

Department of Medical Assistance Services

Any substantive changes to COPN requirements are likely to have an impact on the cost of health care. However, analysis varies widely as to the ultimate impact COPN requirements have on these costs and there are differences between specific legislation. While it is assumed that COPN legislation may have fiscal implications for the Department of Medical Assistance Services (DMAS), there is insufficient data to provide a definitive estimate. Under any scenario, it is unlikely that any COPN change would have a direct fiscal impact in the 2016-2018 biennium due to the time needed for capital planning and the delayed recognition of costs in Medicaid payment rates. Any significant costs are not likely to occur until after 2020 and, even then, such costs would be difficult to estimate based the unknowns associated with COPN changes and the rapidly evolving nature of the health care system.

While a specific fiscal impact cannot be determined, the agency believes that the provisions of this bill will lead to an increase in the Commonwealth's health care capacity (i.e. number of medical scanning machines). Utilization of scanning machines is likely to increase in the 2016-2018 biennium; however the agency does not expect substantial cost increases as in general Medicaid members do not significantly utilize these services.

9. Specific Agency or Political Subdivisions Affected: Department of Health and Department of Medical Assistance Services.

10. Technical Amendment Necessary: No.

11. Other Comments: None.