

## Department of Planning and Budget 2019 Fiscal Impact Statement

**1. Bill Number:** SB1614

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** McDougle

**3. Committee:** Education and Health

**4. Title:** Certificates of public need.

**5. Summary:** Exempts specialized centers or clinics or that portion of a doctor's office established for the provision of ambulatory or outpatient ophthalmic, urologic, or endoscopic surgery from the definition of medical care facility and creates a new permitting process for projects involving specialized centers or clinics or that portion of a doctor's office established for the provision of ophthalmic surgery and services.

**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	\$44,377	0	General
2021	\$44,377	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	(\$16,650)	Nongeneral (02601)
2021	(\$16,650)	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 specialized centers or clinics or that portion of a doctor's office established for the provision of

ambulatory or outpatient ophthalmic, urologic, or endoscopic surgery, it is estimated that the number of projects exempt from COPN review by changing the definition of a “medical care facility” is four. The revenue from fees associated with the loss of these four projects is \$16,650.

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. Therefore, permit fees are expected to replace any lost COPN application fee revenue by the end of FY 2021 and no fiscal impact is expected thereafter. VDH has stated that part of a wage position may be necessary for the specific conditions and requirements of the permitting program, however the revenues generated from the permitting process should be sufficient to cover a wage position estimated at an annual cost of \$27,727, 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:** The Virginia Department of Health and the Department of Medical Assistance Services.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.