

## Department of Planning and Budget 2020 Fiscal Impact Statement

**1. Bill Number:** SB330

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

**2. Patron:** Deeds**3. Committee:** Education and Health**4. Title:** Certificate of public need; psychiatric beds and facilities.

- 5. Summary:** Removes mental hospitals and psychiatric hospitals and intermediate care facilities established primarily for the medical, psychiatric, or psychological treatment and rehabilitation of individuals with substance abuse from the list of medical care facilities for which a certificate of public need is required prior to initiation of a project. The bill makes clear that only facilities licensed as hospitals by the Department of Health are subject to certificate of public need requirements; removes from the definition of project the addition of a new psychiatric or substance abuse treatment service and conversion of beds in an existing medical care facility to psychiatric beds; and prohibits the conversion in an existing medical care facility of psychiatric beds to non-psychiatric beds.

*The FIS was revised to remove the general fund impact based on additional information.*

**6. Budget Amendment Necessary:** Yes, Item 300.**7. Fiscal Impact Estimates:** Final.**7a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2021	(\$54,661)	02601
2022	(\$54,661)	02601
2023	(\$54,661)	02601
2024	(\$54,661)	02601
2025	(\$54,661)	02601
2026	(\$54,661)	02601

**7b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2021	(\$52,742)	02601
2022	(\$52,742)	02601
2023	(\$52,742)	02601

2024	(\$52,742)	02601
2025	(\$52,742)	02601
2026	(\$52,742)	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 4.1, based on historical trends over the last 10 years. The average application fee for these projects is \$12,864 per application. The deregulation of mental hospitals, psychiatric hospitals and intermediate care facilities established primarily for the medical, psychiatric, or psychological treatment and rehabilitation of individuals with substance abuse will reduce the annual revenue for COPN by an average of \$52,742, which the agency can absorb within existing resources. There would also be a reduction in expenses associated with public hearings for these projects at an average cost of \$486.62 per hearing, for a total savings of \$1,919 per year. These savings would reduce the total expenditures by \$54,661 annually. 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.

**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: Virginia Department of Health.

## 10. Technical Amendment Necessary: No.

**11. Other Comments:** None.