

Department of Planning and Budget

2023 Fiscal Impact Statement

1. **Bill Number:** SB953

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

2. **Patron:** Petersen

3. **Committee:** Education and Health

4. **Title:** Certificate of public need; expedited review process; work group.

5. **Summary:** Requires the Department of Health to establish an expedited review process for certain projects involving addition of imaging equipment, addition of a new ambulatory or outpatient surgery center, addition of operating rooms at an existing ambulatory or outpatient surgery center, and addition of psychiatric beds or conversion of existing beds at a medical care facility to psychiatric beds and requires the Board of Health to include in regulations governing the certificate of public need program a provision for the development of review criteria and standards for specific medical care facilities and health care services for each health planning region that take into account the unique needs and characteristics of such region. The bill also amends the definition of "charity care" and defines "health care service" and "indigent."

6. **Budget Amendment Necessary:** Yes, item 292.

7. **Fiscal Impact Estimates:** See item 8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2024	\$365,000	0	01000
2025	\$182,500	0	01000
2026	\$182,500	0	01000
2027	\$182,500	0	01000
2028	\$182,500	0	01000
2029	\$182,500	0	01000
2030	\$182,500	0	01000

8. **Fiscal Implications:** The provisions of this legislation would have a fiscal impact on the Virginia Department of Health (VDH). Any impact on the Department of Medical Assistance Services (DMAS) cannot be determined.

Virginia Department of Health: The bill states that VDH shall "review criteria and standards for specific medical care facilities and health care services for each health planning

region that take into account the unique needs and characteristics of such region.” To meet the provisions of the bill, VDH would need to contract with a consultant to review and develop these standards. Currently, the criteria for the COPN program is applicable statewide and is not regionalized, therefore this effort would be an increase in workload.

VDH believes that contracting with a consultant will enable it to fulfill this legislative mandate in a timely manner and to keep those new regionalized criteria and standards up to date. Historically, VDH has been able to update the review criteria using its staff; however, VDH has been unable to attract or retain staff in its COPN program and the program is currently understaffed and cannot meet this new provision within existing resources. Because COPN is a specialized area of expertise, VDH believes a consultant would be the best option for this task given its current retention rate.

VDH is estimating that creation of the regionalized criteria and standards would take 1,000 hours in FY24 and 500 hours in the out years. VDH states that twice as much time is needed in the first year because the regionalized review criteria does not currently exist and must be created and established. VDH expects that establishment and creation process will take more effort and time than monitoring and validating data regarding healthcare market conditions and healthcare utilization for updates to the regionalized review criteria beginning in the second year. Based on recent contracts and the consumer price index, a consultant for this effort is estimated to cost \$365 per hour, or \$365,000 in FY24 and \$182,500 annually starting in FY25. Since the State Health Services Plan update interval has been reduced from four years to two years the consultant would need to continuously monitor and validate data regarding healthcare market conditions and healthcare utilization within Virginia’s health planning regions and health planning districts in order to adequately advise the State Health Services Plan Task Force on the biennial revisions to the regionalized criteria and standards.

The Office of Licensure and Certification has stated that any increase in workload related to the expedited review process can be absorbed within existing resources.

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 isolate 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: HB1600, introduced by Delegate Robinson, is a companion bill.