

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1269-01  
Bill No.: SB 341  
Subject: Certificate of Need; Health Care; Health Care Professionals; Nursing and Boarding Homes  
Type: Original  
Date: March 14, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(Less than \$554,000)	(Less than \$554,000)	(Less than \$554,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Less than \$554,000)</b>	<b>(Less than \$554,000)</b>	<b>(Less than \$554,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

ASSUMPTION

Officials from the **Department of Economic Development - Division of Professional Registration** state that this proposal would not fiscally impact their agency.

Officials from the **Department of Mental Health (DMH)** state that state-operated long term care facilities are exempted from review certification. Therefore, there is no fiscal impact to the DMH.

Officials from the **Office of Attorney General (AGO)** state costs which may arise from this proposal are unknown. The AGO represents the Certificate of Need Board and, because of changes in definition, there may be an increase in litigation. AGO assumes costs are unknown but less than \$100,000. AGO states in implementing this statute, AGO would dedicate resources for investigating violations and processing and penalizing violations. Further, AGO states they may be required to litigate or participate in dispute resolution related to its assessment of penalties.

Officials from the **Department of Social Services (DOS)** assume the cost impact would be to the hospital program and is unknown. Hospitals are paid on a per diem rate for each day that the ASSUMPTION (continued)

recipient is in the hospital. A new facility is paid either the Medicare per diem rate or 90% of the weighted average statewide per diem rate for the first three years of operation. In the fourth year of operation they are given a prospective per diem rate based off of their fourth prior year cost report. With the addition of new hospitals, existing hospitals would lose patient days as individuals may go to the new hospital instead of the existing hospitals. The cost to the state could either be more or less depending on the rate the new hospital is receiving versus the rate the existing hospital is receiving. The cost increase for capital would not be reflected until the hospital receives their prospective per diem rate using their fourth prior year cost report which would not be expected to happen until FY 10.

Officials from the **Department of Health and Senior Services (DOH)** state the effect of the removal of the certificate of need process for health care services and health care facilities is unknown. DOH states there is an indeterminate fiscal impact, which could result from additional costs or from cost savings due to future impact regarding the number of health care services or health care facilities requiring licensure, inspection and/or complaint investigations.

In a similar notes from the previous sessions, DOH stated the proposal would not be expected to significantly impact the operations of the DOH. If the proposal were to substantially impact any DOH programs, the DOH would request funding through the legislative process.

Officials from the **Missouri Health Facilities Review Committee (MHFRC)** states this proposal would result in a loss of certificate of need application fees which go into General Revenue. MHFRC states there would be no oversight of new hospitals or the acquisition of major medical equipment.

MHFRC states in In FY 04, \$404,702 was received in application fees for new or replacement major medical equipment and construction of new hospitals. MHFRC states for FY 05 to date (seven months), \$355,070 was received in application fees. Annualizing this amount results in \$608,692 for the entire fiscal year. However, MHFRC has taken a more conservative approach and project closer to \$450,000 in application fees for FY 05 for these types of projects. All application fees go into General Revenue, therefore, there would be a loss to General Revenue of \$450,000 annually.

MHFRC states §197.305(8) references two exceptions to long term care review. MHFRC states it is difficult to estimate the impact of the exception to exclude "facilities of not-for-profit corporations in existence on October 1, 1980" since MHFRC does not know the corporate status of such facilities.

ASSUMPTION (continued)

MHFRC states the second exception in that section excludes "any residential care facility I or residential care facility II operated by a religious organization qualified pursuant to Section 501(c)(3) . . . which does not require the expenditure of public funds . . . with a total licensed bed capacity of one hundred beds or less." Based on previous experience with religious considerations, MHFRC has estimated that approximately 120 additional residential care facility I or II beds would be added to the statewide inventory annually. Since these types of applications would be exempt from Certificate of Need review, there would be a loss of about \$4,000 in application fees.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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**GENERAL REVENUE**

Revenues—Missouri Health Facilities  
 Review Committee

Reduction in application fees	(\$454,000)	(\$454,000)	(\$454,000)
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Costs - Office of Attorney General  
 Litigation costs

<u>(Less than    \$100,000)</u>	<u>(Less than    \$100,000)</u>	<u>(Less than    \$100,000)</u>
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**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE**

<b><u>(Less than    \$554,000)</u></b>	<b><u>(Less than    \$554,000)</u></b>	<b><u>(Less than    \$554,000)</u></b>
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FISCAL IMPACT - Local Government

FY 2006 (10 Mo.)	FY 2007	FY 2008
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<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

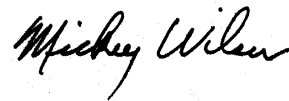
DESCRIPTION

This proposal limits the certificate of need law to only long-term care facilities.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Health Facilities Review Committee  
Department of Health and Senior Services  
Department of Social Services  
Department of Mental Health  
Department of Economic Development -  
Division of Professional Registration  
Office of Attorney General



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Director  
March 14, 2005