

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5217-01  
Bill No.: SB 1173  
Subject: Certificate of Need; Nursing and Boarding Homes; Health Department  
Type: Original  
Date: March 10, 2008

Bill Summary: This legislation provides for transfer of long-term care beds to certain new health care facilities.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Unknown but Greater than \$36,810)	(Unknown but Greater than \$36,810)	(Unknown but Greater than \$36,810)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown but Greater than \$36,810)</b>	<b>(Unknown but Greater than \$36,810)</b>	<b>(Unknown but Greater than \$36,810)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<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 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Federal*	\$0	\$0	\$0
<b>Total Estimated Net Effect on All Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Income and costs of Unknown but Greater than \$63,190 would net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Health and Senior Services** and the **Office of the Secretary of State** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Office of the Attorney General (AGO)** states that the AGO represents the Certificate of Need (CON) Board. The AGO assumes that because of this proposal's changes in licensing criteria, the AGO may have an increased number CON Board decisions it must defend. AGO assumes that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Insurance, Financial Institutions & Professional Registration (DIFP)** state that having reviewed the proposed legislation and having sought the conclusion of the appropriate board(s), DIFP are of the opinion that this proposal in its present form has no fiscal impact to the Department.

Officials from the **Department of Mental Health (DMH)** assume DMH facilities are not covered by the certificate of need and are not under the jurisdiction of the Department of Health and Senior Services. DMH is not part of the Missouri Health Facilities Review Committee. There should be no impact to DMH staff time or expenditures under this proposed legislation.

Officials from the **Missouri Health Facilities Review Committee (MHFRC)** states application fee revenue would be reduced; insufficient detail in proposed legislation to calculate how much. Based on MHFRC review of those skilled nursing facilities (SNF) which have occupancy lower than 90%, MHFRC has determined that up to almost 13,000 beds could be transferred to another site anywhere in the state. Assuming these beds would be used to create new facilities, there could potentially be over 200 new 60-bed SNFs created in the state using these beds. The financial impact on MO HealthNet could be substantial. Since these new facilities could be established anywhere in the state, the impact on existing facilities could be detrimental.

Officials from the **Department of Social Services** states If current licensed skilled nursing facility beds are transferred to new health care facilities, there could be a fiscal impact to the MO HealthNet Division (MHD).

ASSUMPTION (continued)

The MHD assumes that as a result of this legislation new health care facilities would be built and current licensed skilled nursing facility beds would be transferred without going through the certificate of need process. This could result in a higher per-diem rate for the new facilities. It is also assumed that the number of residents and days would remain the same.

It is unknown how many new health care facilities will be built in the state, but as an example, if an owner of a facility with a rate of \$112 chooses to build a new facility and transfer beds, the new rate would be approximately \$120 (the average interim rate). With this rate difference of \$8, it would take only 12,500 patient days to reach an impact of approximately \$100,000.

The MHD assumes the fiscal impact is unknown but greater than \$100,000 (\$36,810 GR).

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE FUND</b>			
<u>Loss - Missouri Health Facilities Review Committee</u>			
Loss of Application Fee Revenue	(Unknown)	(Unknown)	(Unknown)
<u>Costs - Department of Social Services</u>			
Increase in Per-Diem Rate	<u>(Unknown but Greater than \$36,810)</u>	<u>(Unknown but Greater than \$36,810)</u>	<u>(Unknown but Greater than \$36,810)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown but Greater than \$36,810)</u></b>	<b><u>(Unknown but Greater than \$36,810)</u></b>	<b><u>(Unknown but Greater than \$36,810)</u></b>

**FEDERAL FUNDS**

Income - Department of Social Services  
 Federal Assistance

Unknown but Greater than \$63,190	Unknown but Greater than \$63,190	Unknown but Greater than \$63,190
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Costs - Department of Social Services  
 Increase in Per-Diem Rate

<u>(Unknown but Greater than \$63,190)</u>	<u>(Unknown but Greater than \$63,190)</u>	<u>(Unknown but Greater than \$63,190)</u>
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**ESTIMATED NET EFFECT ON  
 FEDERAL FUNDS**

<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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FISCAL IMPACT - Local Government

FY 2009 (10 Mo.)	FY 2010	FY 2011
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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.

FISCAL DESCRIPTION

The proposed legislation provides that a new health care facility may be licensed without certificate of need review when arranging for the transfer of licensed skilled nursing facility beds to a new health care facility so long as the following criteria are satisfied:

- (1) A letter of intent to develop the new facility is submitted to the Department of Health and Senior Services and the Missouri Health Facilities Review Committee;

FISCAL DESCRIPTION (continued)

(2) The Department certifies that the transferred beds are from skilled nursing or assisted living facilities in Missouri and have maintained an average occupancy in the relevant licensure category of under ninety percent for the previous four calendar quarters; and

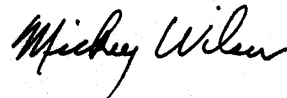
(3) The proposed new health care facility otherwise satisfies all conditions of licensure under current law.

The facility transferring beds under this act shall not seek to add beds within a two-year period of time after the transaction.

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

Office of the Attorney General  
Department of Insurance, Financial Institutions & Professional Registration  
Department of Mental Health  
Department of Health and Senior Services  
Department of Social Services  
Missouri Health Facilities Review Committee  
Office of the Secretary of State



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Director  
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