

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0609-01
Bill No.: SB 53
Subject: Health Department; Certificate of Need; Nursing and Boarding Homes
Type: Original
Date: January 26, 2015

Bill Summary: This proposal limits the certificate of need to only long-term care facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2026)
General Revenue	(\$77,825)	(\$561,492)	(\$1,047,383)	(\$5,638,473)
Total Estimated Net Effect on General Revenue	(\$77,825)	(\$561,492)	(\$1,047,383)	(\$5,638,473)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2026)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2026)
Federal*	\$0	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

* Income and expenses exceed \$9.5 million annually when fully implemented and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2026)
Total Estimated Net Effect on FTE				

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2026)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services (DHSS)** state the proposed legislation would result in a loss of application fees for hospital and equipment proposals. FY 2013 and FY 2014 application fees deposited into General Revenue totaled \$351,936 and \$409,341 respectively. During FY 2013 and FY 2014 an average of 22% of collections related to hospital and equipment projects. Fees in FY 2015 are projected to be approximately \$415,000. The average fee amount projected for FY 2016 through 2018 is \$424,500 annually.

Therefore, limiting the scope of the CON to long-term care facilities only would result in annual fees of \$331,110 (78 percent X \$424,500), a reduction of \$93,390 annually. Since the repeal of the program will not go into effect until the end of August, the net effect of the repeal of the program is estimated to result in a net loss of fee revenue deposited in General Revenue of \$77,825 in FY 2016 and \$93,390 in both FY 2017 and FY 2018.

Staffing requirements in CON are expected to remain at 2.0 FTE. The program will still be responsible for the review of long-term care facility projects, long-term care hospitals, and long-term care beds in hospitals, as well as providing support to the Missouri Long-term Care Facilities Review Committee.

If elimination of the CON program results in an increase in the number of regulated providers in the future, the Department of Health and Senior Services will request funding for additional inspection staff through budget item process.

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state the Calendar Year (CY) 14 estimated annual fiscal impact for rate adjustment requests was \$5,104,708 for six (6) hospitals, or approximately \$850,785 average Medicaid cost per facility (\$5,104,708/6 hospitals). MHD assumes the removal of the certificate of need (CON) would yield 15 new hospitals added over the next 10 years that would not have occurred otherwise, or approximately 1.5 hospitals per year. Since this legislation is proposed to be effective August 28, 2015, and assuming a one year delay in the construction of the hospital and the submittal of the required paperwork to MHD, the additional cost to MHD would begin in State Fiscal Year (SFY) 2017 and would be estimated at \$1,276,178 (\$850,785 X 1.5 hospitals). This estimate assumes a full implementation cost of \$15,117,457 in FY 2026 when all 15 new hospitals are in operation. These expenditures would be split approximately 37% GR/63% Federal.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Missouri Ethics Commission** and the **Office of State Courts Administrator** each assume the proposal would not fiscally impact their respective agencies.

This proposal results in a reduction in total state revenue.

FISCAL IMPACT - State
 Government

	FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2026)
GENERAL REVENUE FUND (§§197.300 - 197.367)				

Costs - DSS-MHD

Increase in state share of hospital expenses	\$0	(\$468,102)	(\$953,993)	(\$5,545,083)
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Loss - DHSS

Reduction in CON application fee revenue	<u>(\$77,825)</u>	<u>(\$93,390)</u>	<u>(\$93,390)</u>	<u>(\$93,390)</u>
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**ESTIMATED NET
 EFFECT ON THE
 GENERAL REVENUE
 FUND**

(\$77,825) (\$561,492) (\$1,047,383) (\$5,638,473)

**FEDERAL FUNDS
 (§§197.300 - 197.367)**

Income - DSS-MHD

Increase in program reimbursements	\$0	\$808,076	\$1,646,858	\$9,572,374
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Costs - DSS-MHD

Increase in program expenditures	<u>\$0</u>	<u>(\$808,076)</u>	<u>(\$1,646,858)</u>	<u>(\$9,572,374)</u>
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**ESTIMATED NET
 EFFECT ON FEDERAL
 FUNDS**

\$0 \$0 \$0 \$0

FISCAL IMPACT - Local
 Government

	FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2026)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

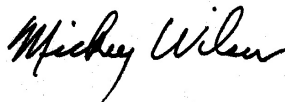
FISCAL DESCRIPTION

This proposal limits the Certificate of Need (CON) law by having it apply to only long-term care facilities and services. This proposal also specifies that a licensed facility report its bed capacity to, or request to increase its bed capacity by obtaining a certificate from, the Division of Regulation and Licensure within the Department of Health and Senior Services.

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 Attorney General
Department of Health and Senior Services
Department of Social Services -
 Mo HealthNet Division
Missouri Ethics Commission
Office of State Courts Administrator



Mickey Wilson, CPA
Director
January 26, 2015

Ross Strobe
Assistant Director
January 26, 2015