

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4586-01
Bill No.: SB 654
Subject: Certificate of Need; Health Care; Nursing Homes and Long-term Care Facilities
Type: Original
Date: January 11, 2016

Bill Summary: This proposal modifies certificate of need requirements for long-term care facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 to (\$429,382)	\$0 to (\$528,161)	\$0 to (\$541,365)
Total Estimated Net Effect on General Revenue	\$0 to (\$429,382)	\$0 to (\$528,161)	\$0 to (\$541,365)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$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 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services (DHSS)** provide the following:

Section 197.318 - Certificate of Need

Currently, the Missouri Health Facilities Review Committee is able to issue a certificate of need for facilities under Chapter 198, RSMo, without the facility meeting the criterion stated in CRS 60-50.450 for population-based need. These certificates are issued for both new bed projects as well as projects for other reasons such as renovations or relocating beds from one facility to another. The proposed legislation would cause no certificates to be issued for these facilities if a need is not shown, possibly causing no Certificate of Need (CON) for these type of facilities to be issued. Since the legislation could restrict DHSS from issuing CON, this reduction could possibly result in the loss of revenue to General Revenue.

The CON application fee is one tenth of a percent (0.001) of the total project cost. In FY 2015 the total project costs for all long term care proposals was \$490,449,897. Project costs are projected to increase 2.5 percent annually. A reduction in the issuances of Certificates of Need could result in the loss of revenue as follows:

FY 2017 $\$490,449,897 \times 1.025 \times 1.025 = \$515,278,923 \times 0.001 = \$515,279 / 12 \times 10 \text{ months} =$
\$429,382

FY 2018 $\$515,278,923 \times 1.025 = \$528,160,896 \times 0.001 =$ **\$528,161**

FY 2019 $\$528,160,896 \times 1.025 = \$541,364,918 \times 0.001 =$ **\$541,365**

The DHSS is ranging the potential loss of application fee income between \$0 and the estimated annual fees provided above since it is unknown how many potential applications would not meet the population-based need guidelines and, therefore, would not be submitted.

Officials from the **Department of Social Services, MO HealthNet Division** and **Division of Legal Services** assume the proposal would not fiscally impact their respective divisions.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Loss - DHSS (\$197,318)</u>	\$0 to...	\$0 to...	\$0 to...
Reduction in CON application fees	<u>(\$429,382)</u>	<u>(\$528,161)</u>	<u>(\$541,365)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0 to (\$429,382)</u>	<u>\$0 to (\$528,161)</u>	<u>\$0 to (\$541,365)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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

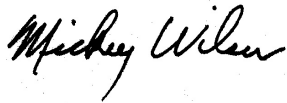
This act requires a licensed long-term care facility seeking to increase its licensed bed capacity to submit a letter of intent to and receive certification from the Division of Regulation and Licensure within the Department of Health and Senior Services. This act also prohibits the issuance of a certificate of need (CON) for any licensed long-term care facility unless its application for the CON contains an analysis of, and the Missouri Health Facilities Review Committee finds, population-based need for all persons 80 years or older within a 15-mile radius of the proposed site.

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

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SOURCES OF INFORMATION

Department of Health and Senior Services
Department of Social Services -
MO HealthNet Division
Division of Legal Services



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January 11, 2016

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January 11, 2016