

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6515-02
Bill No.: SB 1076
Subject: Boards, Commissions, Committees, and Councils; Certificate of Need, Health Care; Health and Senior Services Department; Hospitals; Mental Health Department; Nursing Homes and Long-term Care Facilities
Type: Original
Date: March 16, 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	(\$2,340 to greater than \$308,045)	(\$9,594 to greater than \$322,942)	(\$4,917 to greater than \$326,098)
Total Estimated Net Effect on General Revenue	(\$2,340 to greater than \$308,045)	(\$9,594 to greater than \$322,942)	(\$4,917 to greater than \$326,098)

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 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), Division of Regulation and Licensure (DRL)** state section 197.315.20 of the proposed legislation states that any long-term care facility may transfer any of its licensed beds to any other similar facility, provided that the other facility also has an occupancy rate equal to or greater than 90 percent, the transferring facility surrenders its license for those beds, and the DHSS reviews the transfer and issues a license for the transferred beds to the other facility. DHSS assumes no fiscal impact for this section.

Section 197.322 of the proposed legislation creates the Missouri Task Force on Certificate of Need to develop a comprehensive proposal to reform certificate of need law. It specifies the task force members, rules, and duties. The task force shall review long-term care facility certificates of need in other states and current occupancy and utilization rates, as well as issue findings and proposals to the appropriate public and private organizations about the CON process. On or before December 31, 2019, the task force shall submit a report on its findings to the Governor and General Assembly. The task force members shall be reimbursed for actual and necessary expenses and may also engage the services of a consulting firm. It is assumed the task force will commence business in March 2017 and will cease to exist on December 31, 2019. DHSS assumes the task force will meet once in FY 2017, four times in FY 2018, and twice in FY 2019. DHSS estimates \$180 per member per meeting in expenses. Task force meeting costs are estimated to be \$2,340 for FY 2017; \$9,594 for FY 2018; and \$4,917 for FY 2019. In addition, the legislation allows the use of a consulting firm, but does not require it. It is unclear of what the duties the contract with a consulting firm would entail, therefore consulting firm costs are unknown.

DHSS estimates the proposed legislation could create a moratorium on new facilities being built within the state until such time that the occupancy rate of all facilities in the state is at least 90%. The average of the first three (3) quarters of calendar year 2015 is 74.4%; therefore, DHSS estimates that the occupancy rate would not reach 90% in the foreseeable future. This requirement could reduce or eliminate the applications for a Certificate of Need (CON) from new facilities. The total amount of CON application fees received for new facilities for the past three years is \$166,826 in FY 2013; \$294,318 in FY 2014; and \$455,972 in FY 2015 for an average of \$305,705 annual reduction to General Revenue. Therefore, DHSS estimates a loss of Certificate of Need revenue of \$305,705 for FY 2017; \$313,348 for FY 2018; and \$321,181 for FY 2019.

The DHSS estimates costs to the General Revenue Fund of Unknown, greater than \$308,045 for FY 2017; Unknown greater than \$322,942 for FY 018; and Unknown greater than \$326,096 for FY 2019.

ASSUMPTION (continued)

Oversight notes since the use of a consulting firm is not required, consulting firm costs will be ranged from \$0 to Unknown. In addition, Oversight will provide the loss of CON fees as up to the amount provided by DHSS.

Officials from the **Department of Mental Health**, the **Department of Social Services**, **Divisions of MO HealthNet** and **Legal Services** and the **Missouri Senate** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Missouri House of Representatives** did not respond to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Costs - DHSS</u> (§197.322)			
Task force member expenses	(\$2,340)	(\$9,594)	(\$4,917)
Consulting firm	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total <u>Costs</u> - DHSS	<u>(\$2,340 to Unknown)</u>	<u>(\$9,594 to Unknown)</u>	<u>(\$4,917 to Unknown)</u>
<u>Loss - DHSS</u> (§197.315)			
Reduction in CON fees	<u>(Up to \$305,705)</u>	<u>(Up to \$313,348)</u>	<u>(Up to \$321,181)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$2,340 to greater than \$308,045)</u>	<u>(\$9,594 to greater than \$322,942)</u>	<u>(\$4,917 to greater than \$326,098)</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

Under this act, no additional beds in any residential care, assisted living, intermediate care, or skilled nursing facility shall be licensed by the Department of Health and Senior Services or the Department of Mental Health unless and until the average occupancy rate of all such facilities is at least 90%, with the exceptions specified in the act. However, any long-term care facility may transfer any of its licensed beds to any other similar facility, provided that the other facility also has an occupancy rate equal to or greater than 90%, the transferring facility surrenders its license for those beds, and the Department of Health and Senior Services reviews the transfer and issues a license for the transferred beds to the other facility.

This act creates the Missouri Task Force on Certificate of Need to develop a comprehensive proposal to reform certificate of need law. The act specifies the task force members, rules, and duties. The task force shall review long-term care facility certificates of need in other states and current occupancy and utilization rates, as well as issue findings and proposals to the appropriate public and private organizations about the certificate of need process. On or before December 31, 2019, the task force shall submit a report on its findings to the Governor and General Assembly.

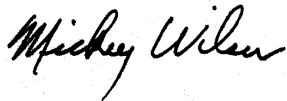
The provisions of this act shall expire on December 31, 2019.

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

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

Not Responding:
Missouri House of Representatives



Mickey Wilson, CPA
Director
March 16, 2016

Ross Strobe
Assistant Director
March 16, 2016