

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3873-01
Bill No.: SB 708
Subject: Certificate of Need; Health Care; Health and Senior Services Department;
Hospitals; Nursing Homes and Long-term Care Facilities
Type: Original
Date: March 9, 2020

Bill Summary: This proposal repeals the certificate of need law.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$293,739)	(\$357,774)	(\$363,140)
Total Estimated Net Effect on General Revenue	(\$293,739)	(\$357,774)	(\$363,140)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> 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 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§197.300 - 197.367 - Repeal of certificate of need regulations

Officials from the **Department of Health and Senior Services (DHSS)** state the proposed legislation would eliminate Missouri Certificate of Need (CON) laws in the state. The elimination of CON will require changes to state rules and regulations, section policies and procedures, manuals, and forms. The Division of Regulation and Licensure (DRL) assumes it will take approximately 12 additional hours to make the necessary changes. The DHSS anticipates being able to absorb these costs. However, until the FY21 budget is final, the department cannot identify specific funding sources.

The DHSS, DRL generates an average of \$342,145 of General Revenue a year from CON application fees and project cost overrun fees (based on fees received over the last three years of \$1,026,434). Using a 1.5 percent annual growth rate, the total fiscal impact projected to General Revenue will be a reduction in fees of:

\$293,739 for FY 2021 ($\$342,145 \times 1.015 \times 1.015 = \$352,486 \times 10/12$);
\$357,774 for FY 2022 ($\$342,145 \times 1.015 \times 1.015 \times 1.015$); and
\$363,140 for FY 2023 ($\$342,145 \times 1.015 \times 1.015 \times 1.015 \times 1.015$).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the reduction in CON application fees provided by the DHSS for fiscal note purposes.

Oversight notes this proposal repeals §197.310 relating to the Missouri Health Facilities Review Committee (MHFRC). The DHSS FY 2021 budget states costs for the MHFRC for FY 2017 were \$97,227 and FY 2018 were \$95,689. The DHSS 2019 budget request was for \$118,681, but the Governor's Recommendation was \$0. There is nothing in the DHSS 2020 and 2021 budget requests specifically for the MHFRC. DHSS has stated this program is being operated by using resources within the Division of Regulation and Licensure program operations core.

Oversight assumes the elimination of CON application fees and overrun costs may positively impact hospitals and nursing homes run by local governments. DHSS provided information stating in FY 2018, CON fees paid by nursing homes and hospitals owned/operated by local governmental agencies totaled approximately \$1,549; however, DHSS stated there were no projects for local government-run nursing homes or hospitals in FY 2019 and, therefore, no CON fees were paid during FY 2019. Oversight assumes future potential savings to be minimal and will present no savings to local governments for fiscal note purposes.

ASSUMPTION (continued)

Bill as a whole (§§197.705 - Identification badges; 198.530 - Continuing care retirement community; 208.169 - Actual building acquisition costs; and 354.095 Ambulatory surgical center definition

Oversight notes the **Missouri Attorney General's Office**, the **Department of Commerce and Insurance**, the **Department of Health and Senior Services**, the **Department of Mental Health** and the **Department of Social Services** have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, nursing homes and hospitals were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Loss - DHSS (§§197.300 and 197.366)</u>			
Reduction in CON fees	<u>(\$293,739)</u>	<u>(\$357,774)</u>	<u>(\$363,140)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$293,739)</u>	<u>(\$357,774)</u>	<u>(\$363,140)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<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 repeals the certificate of need law and certain statutory references to the law. (Repeals §§197.300 - 197.367)

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

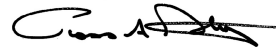
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SOURCES OF INFORMATION

Missouri Attorney General's Office
Department of Commerce and Insurance
Department of Health and Senior Services
Department of Mental Health
Department of Social Services
Office of Secretary of State



Julie Morff
Director
March 9, 2020



Ross Strobe
Assistant Director
March 9, 2020