

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4122S.01I
Bill No.: SB 727
Subject: Certificate of Need; Health Care; Department of Health and Senior Services;
Hospitals
Type: Original
Date: January 28, 2022

Bill Summary: This proposal modifies provisions relating to certificates of need.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue	(\$102,674)	(\$126,288)	(\$129,445)
Total Estimated Net Effect on General Revenue	(\$102,674)	(\$126,288)	(\$129,445)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on FTE	0	0	0

- ☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§197.305, 197.315, 197.320, and 354.095 – Certificates of need

Officials from the **Department of Health and Senior Services (DHSS)** state the Division of Regulation and Licensure (DRL) currently processes Certificate of Need (CON) applications. The proposed legislation changes the application requirements for the CON program; however, this would not change the normal ebb and flow of work scope for DRL.

Section 197.305 of the proposal removes major medical equipment from the definition of a new institutional health service; therefore, a (CON) would not be required for major medical equipment.

DHSS, DRL generates an average of \$87,003 of General Revenue from major medical equipment applications. Using a 2.5 percent annual growth rate, the total fiscal impact projected to General Revenue will be a reduction of equipment applications fees of \$70,720 (\$84,864 x 10/12) for FY 2023; \$86,985 for FY 2024; and \$89,160 for FY 2025.

Section 197.305(9) omits the construction of a new hospital from the definition of a health care facility as defined in the repealed §197.366(4); therefore, a CON would not be required for construction of a new hospital. DHSS generates an average \$39,311 of General Revenue from new hospital CON applications. Using a 2.5 percent annual growth rate, the total fiscal impact projected to General Revenue will be a reduction of new hospital application fees of \$31,954 (\$38,344 x 10/12) for FY 2023; \$39,303 for FY 2024; and \$40,285 for FY 2025.

Therefore, the total reduction to GR for CON fees from major medical equipment applications (\$70,720) and construction of a new hospital (\$31,954) for FY 2023 would be \$102,674; \$126,288 for FY 2024; and \$129,445 for FY 2025.

The DHSS, Division of Community and Public Health (DCPH), Bureau of Health Care Analysis & Data Dissemination (BHCADD) produces the population projections that are required to be used by the Certificate of Need (CON) office. BHCADD charges a data request fee for each of these requests. This legislation would cause the elimination of some facilities to complete a CON application leading to a loss in revenue. Because the legislation leaves in place the requirement for population projections for new facilities, the work that BHCADD does to develop the projections would still be maintained. Based on previous years, a baseline number of ten (10) of these applications required a MO Population data request. Each application was charged an average of \$102.50. Therefore, BHCADD would have an estimated \$1,025 loss of revenue for each projected FY. This was derived by the following formula:
 $10 \text{ applications} \times \$102.50 \text{ per population data request} = \$1,025.$

The loss in revenue of \$1,025 can be absorbed by the Bureau of Health Care Analysis and Data Dissemination (BHCADD). The dollars generated from the work go into a fund that are then used to cover the time the analyst spent fulfilling the data request. The DHSS anticipates being able to absorb these costs. However, until the FY23 budget is final, the department cannot identify specific funding sources. This fund is not built into DHSS payroll but rather is used as an override.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a loss of CON fees to the General Revenue Fund of \$102,674 for FY 2023; \$126,288 for FY 2024; and \$129,445 for FY 2025.

Officials from the **Department of Social Services** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for that agency.

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

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Loss – DHSS (\$197.305)</u>			
Reduction in CON application fees	<u>(\$102,674)</u>	<u>(\$126,288)</u>	<u>(\$129,445)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$102,674)</u>	<u>(\$126,288)</u>	<u>(\$129,445)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposal may positively impact some small business construction companies. (\$197.305)

FISCAL DESCRIPTION

This act repeals provisions of the certificate of need law relating to hospitals, excluding long-term care beds in hospitals, and major medical equipment.

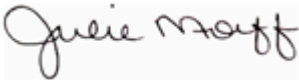
This act also makes technical changes to the certificate of need statutes.

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

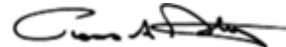
Department of Social Services



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January 28, 2022



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