

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1081S.01I
Bill No.: SB 337
Subject: Certificate of Need; Department of Health and Senior Services; Health Care;
Hospitals
Type: Original
Date: January 6, 2025

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	(\$143,198)	(\$176,133)	(\$180,536)
Total Estimated Net Effect on General Revenue	(\$143,198)	(\$176,133)	(\$180,536)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
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 § 197.305 of the proposed legislation removes language requiring facilities to complete a CON application for major medical equipment. Based on previous years, a baseline number of five (5) of these applications required a MO Population data request. Each application was charged an average of \$122.50. Therefore, Bureau of Health Care Analysis and Data Dissemination (BHCADD) would have an estimated \$612.50 loss of revenue for each projected fiscal year. This was derived by the following formula: 5 applications times \$122.50 per population data request equals \$612.50.

The loss in revenue can be absorbed by the 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 department anticipates being able to absorb these costs. However, until the FY 2025 budget is final, the Department cannot identify specific funding sources.

Section 197.305 of the proposed legislation omits major medical equipment from the definition of a new institutional health service and omits the construction of a new hospital from the definition of a health care facility as defined in the repealed § 197.366(4). These omissions would negate the requirement for a Certificate of Need for new, additional or replacement major medical equipment and for construction of a new hospital. This would result in no oversight of the development or offering major medical equipment or new hospitals within the state, and the public would no longer have a voice for such developments. There would be no law to contain health costs, prevent unnecessary duplication of services, or ensure services are based on a community need.

DHSS generates an average of \$117,380 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 application fees of an estimated \$100,262 ($\$117,380 + 2.5 \text{ percent} * 10/12 \text{ months}$) for FY 2026; \$123,322 for FY 2027; and \$126,405 for FY 2028.

Between FY 2022 and FY 2024, six new CON hospital application fees were collected, totaling \$886,509 in general revenue: \$0 in FY 2022; \$127,133 in FY 2023; and \$759,376 in FY 2024. The Department collected one fee in the amount of \$635,178 in FY 2024, which was out of the ordinary and skews the averaging of annual fees; therefore, it was removed from the calculation. Based on this, DHSS generates an average of \$50,266 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 new hospital application fees of an estimated \$42,936 ($\$50,266 + 2.5 \text{ percent} * 10/12 \text{ months}$) for FY 2026; \$52,811 for FY 2027; and \$54,131 for FY 2028.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DHSS.

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 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Loss – DHSS (§ 197.305) Reduction in CON application fees p. 3</u>	<u>(\$143,198)</u>	<u>(\$176,133)</u>	<u>(\$180,536)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$143,198)</u>	<u>(\$176,133)</u>	<u>(\$180,536)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

DHSS states the elimination of the Certificate of Need (CON) review for major medical equipment would reduce, by at least a small amount, the time it would take to make the purchase. (§ 197.305)

FISCAL DESCRIPTION

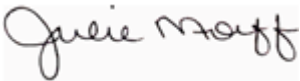
This act repeals provisions of the certificate of need law relating to hospitals, excluding long-term care beds in hospitals, and major medical equipment. (§ 197.305)

L.R. No. 1081S.01I
Bill No. SB 337
Page 5 of 5
January 6, 2025

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



Julie Morff
Director
January 6, 2025



Jessica Harris
Assistant Director
January 6, 2025