

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0553-02
Bill No.: HCS for HB 466
Subject: Certificate of Need; Elderly; Nursing and Boarding Homes
Type: Original
Date: February 9, 2007

Bill Summary: This proposal limits certificate of need to long-term care facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(Less than \$425,938)	(Less than \$425,938)	(Less than \$425,938)
Total Estimated Net Effect on General Revenue Fund	(Less than \$425,938)	(Less than \$425,938)	(Less than \$425,938)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
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 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Mental Health** and the **Department of Health and Senior Services** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Office of the Attorney General (AGO)** assume costs which may arise from this proposal are unknown. The AGO represents the Certificate of Need Board and, because of changes in definition, there may be an increase in litigation. AGO assumes costs are unknown, but less than \$100,000.

Officials from the **Department of Social Services** assume the cost impact would be to the hospital program and is unknown. Hospitals are paid on a per diem rate for each day that the recipient is in the hospital. A new facility is paid either the Medicare per diem rate or 90% of the weighted average statewide per diem rate for the first three (3) years of operation. The fourth year of operation they are given a prospective per diem rate based on their fourth prior year cost report. With the addition of new hospitals, existing hospitals would lose patient days as individuals may go to the new hospital instead of the existing hospitals. The cost to the state could either be more or less depending on the rate the new hospital is receiving versus the rate the existing hospital is receiving. The cost increase for capital would not be reflected until the hospital receives their prospective per diem rate using their fourth prior year cost report. Since we are moving into SFY '08, this would not be expected to happen until SFY '12.

Officials from the **Missouri Health Facilities Review Committee (MHFRC)** state new hospitals would be established in any location in the state without being reviewed for community need, financial feasibility, and duplication of services. There would also be no Certificate of Need review for the acquisition of major medical equipment.

MHFRC states for applications for new or replacement major medical equipment and applications for construction of new hospitals, the applications fees for FY '04, FY '05, and FY '06 totaled \$432,847, \$385,348, and \$147,617, respectively. All application fees go into General Revenue. Therefore, if this proposal were passed, there would be an average loss to General Revenue of \$321,938 annually.

ASSUMPTION (continued)

MHFRC states §197.305(8) references two exceptions to long term care review. It is difficult to estimate the impact of the exception to exclude "facilities of not-for-profit corporations in existence on October 1, 1980" since we do not know the corporate status of such facilities.

The second exception in that section excludes "any assisted living facility or residential care facility operated by a religious organization qualified pursuant to Section 501(c)(3) . . . which does not require the expenditure of public funds . . . with a total licensed bed capacity of one hundred beds or less". Based on previous experience with religious considerations, MHFRC have estimated that approximately 120 additional assisted living facility or residential care facility beds would be added to the statewide inventory annually. Since these types of applications would be exempt from Certificate of Need review, MHFRC estimate an annual loss of approximately \$4,000 in application fees.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
<u>Costs - Office of the Attorney General</u>	<u>(Less than</u>	<u>(Less than</u>	<u>(Less than</u>
Litigation costs	<u>\$100,000)</u>	<u>\$100,000)</u>	<u>\$100,000)</u>
<u>Costs - Missouri Health Facilities Review Committee</u>			
Reduction in application fees	<u>(\$325,938)</u>	<u>(\$325,938)</u>	<u>(\$325,938)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Less than</u> <u>\$425,938)</u>	<u>(Less than</u> <u>\$425,938)</u>	<u>(Less than</u> <u>\$425,938)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<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

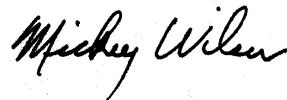
This legislation defines "long-term care facilities" as it relates to the Certificate of Need Program and limits application of certificate of need requirements to long-term care facilities. Currently, certificate of need requirements apply to a broader range of health care facilities, including hospitals and long-term care facilities.

This legislation also changes the designation of residential care facility I to assisted living facility and residential care facility II to residential care facility.

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 Social Services
Department of Health and Senior Services
Office of the Attorney General
Department of Mental Health
Missouri Health Facilities Review Committee



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Director
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