

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4349-01
Bill No.: HB 1806
Subject: Health Care; Health Care Professionals; Nursing and Boarding Homes
Type: Original
Date: February 6, 2008

Bill Summary: This legislation limits the Certificate of Need Program to long-term care facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$247,000)	(\$247,000)	(\$247,000)
Total Estimated Net Effect on General Revenue Fund	(\$247,000)	(\$247,000)	(\$247,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Office of the Attorney General (AGO)** assume that 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.

Oversight assumes, because the potential for litigation is speculative, that the AGO will not incur significant costs related to this proposal. If a fiscal impact were to result, the AGO may request additional funding through the appropriations process.

Officials from the **Department of Social Services** assume without the Certificate of Need (CON) approval process additional new hospitals will be built, and other new health services will be generated. The new hospitals and services would increase the cost to the MO HealthNet program. Any increase that may result due to this legislation is not expected to occur until SFY 13.

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 09, this would not be expected to happen until SFY 13.

Officials from the **Missouri Health Facilities Review Committee (MHFRC)** state new hospitals could be established in any location in the state without consideration of community need, financial feasibility, and duplication of services. There would be very little, if any, opportunity for community input in the planning process for such facilities and services. There would also be no oversight for the acquisition of major medical equipment.

ASSUMPTION (continued)

For applications for new or replacement major medical equipment and applications for construction of new hospitals, the applications fees for FY 05, FY 06, and FY 07 totaled \$385,348, \$147,617, and \$198,426, respectively. All application fees go into General Revenue. Therefore, if this bill were passed, there would probably be an average loss to General Revenue of over \$243,000 annually.

§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 MHFRC does 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 has 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 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Costs - Missouri Health Facilities Review Committee</u>			
Reduction in Hospital Application Fees	(\$243,000)	(\$243,000)	(\$243,000)
Reduction in Assisted Living and Residential Care Facility Application Fees	<u>(\$4,000)</u>	<u>(\$4,000)</u>	<u>(\$4,000)</u>
<u>Total Costs - MHFRC</u>	<u>(\$247,000)</u>	<u>(\$247,000)</u>	<u>(\$247,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$247,000)</u>	<u>(\$247,000)</u>	<u>(\$247,000)</u>

FISCAL IMPACT - Local Government

FY 2009
(10 Mo.)

FY 2010

FY 2011

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

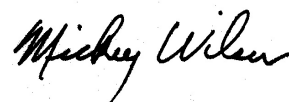
This legislation defines "long-term care facilities" as it relates to the Certificate of Need Program and limits application of certificate of need requirements to long-term care facilities. Currently, certificate of need requirements apply to a broader range of health care facilities, including hospitals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

The 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

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



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