

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1268H.02I  
Bill No.: HB 777  
Subject: Nursing Homes and Long-Term Care Facilities; Health Care  
Type: Original  
Date: January 30, 2023

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
General Revenue	(\$145,391)	(\$174,469)	(\$174,469)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$145,391)</b>	<b>(\$174,469)</b>	<b>(\$174,469)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §§197.305, 197.315, 197.318, 197.321, and 197.330 – Certificate of Need

Officials from the **Department of Health and Senior Services (DHSS)** state:

Section 197.321, subsection 3, of the proposed legislation, modifies the time period used related to population projections for Certificate of Need (CON). Previously, projections have been developed every five years at the CON office's request. Currently, the population for all CON projects (long-term care, long-term care hospitals and major medical equipment) is projected on a five year basis. Applicants are currently using year 2025 population data in CON applications. The proposed legislation change will require projections to be developed on a rolling time frame. Applications in 2023 would require projections for the year 2026 and then in 2024, the projections would be updated to 2027, and so forth. The population projections at the ZIP code level are produced by the Bureau of Health Care Analysis and Data Dissemination at DHSS. There are over 1,000 ZIP codes in the state of Missouri. Neither the Census Bureau nor other federal or state agencies develop projections that could be used for this project. DHSS estimates that updating projections on an annual basis would require 160 hours of Research Analyst time to develop the projections, which would be work beyond the time used to develop individual CON application projects that use the population projections.

Associate Research Analyst salary  $\$42,566/2,080$  hours = \$20.46 per hour  
 $\$20.46 \times 70$  hours = \$1,432

Research Analyst salary  $\$49,768/2,080$  hours = \$23.93 per hour  
 $\$23.93 \times 70$  hours = \$1,675

Senior Research Analyst salary  $\$59,620/2,080$  hours=\$28.66 per hour  
 $\$28.66 \times 20$  hours =\$573

Total Hours=160

**Total Amount=\$3,680**

The DHSS anticipates being able to absorb the costs of these Research Analyst times to develop projections. However, until the FY 2024 budget is final, the Department cannot identify specific funding sources.

The proposed legislation would have an effect on state general revenues for collection of application fees.

Section 197.321, subsection 3, of proposed legislation, also states the age group used to determine the service area’s need shall include “residents of the service area who are seventy-five years of age or older”. Utilizing seventy-five and older population in Section 197.321 subsection 3 would tighten the bed need, which could omit applicants from applying for a CON and decreasing revenue. However, applicants can still submit a CON application even if the bed need calculation reflects a bed surplus in the radius.

Section 197.321. subsection 4, of the proposed legislation, states that “any application seeking approval of new or additional beds in any intermediate care facility, skilled nursing facility, residential care facility, or assisted living facility shall not be considered if the minimum average occupancy of all existing licensed beds in the service area is not at least eighty percent for the most recent beds report.” Based on FY 2022 having no CON applications meeting the requirement, this would have resulted in a loss of \$174,469 in state general revenue.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the loss in CON fees as estimated by DHSS. Oversight assumes a 10 month reduction in fees for FY2024.

Officials from the **Attorney General’s Office**, the **Department of Social Services** and the **Office of the State Courts Administrator** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**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 listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>GENERAL REVENUE FUND</b>			
<u>Loss – DHSS (§197.321) – reduction in CON fees</u>	<u>(\$145,391)</u>	<u>(\$174,469)</u>	<u>(\$174,469)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$145,391)</u></b>	<b><u>(\$174,469)</u></b>	<b><u>(\$174,469)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This proposal may have a fiscal impact on small businesses. (§197.321)

FISCAL DESCRIPTION

This bill modifies several provisions relating to certificates of need. It modifies the definitions of rural and urban areas, the specific distinctions of which may be found in the bill. This definition of urban areas would only apply to the counties of Clay, Jackson, St. Charles, St. Louis, and the City of St. Louis.

In determining whether a certificate of need should be granted for a facility applying in a designated urban area, no consideration shall be given to facilities or equipment of any other health care facility located more than 10 miles from the applying facility. Likewise, for an applying facility in a rural area of the state, no consideration shall be given to the facilities or equipment located more than 20 miles from the applying facility.

In determining whether to grant a certificate of need for any beds for an applying facility, the same rule applies for licensed beds located more than 10 miles from an urban applying facility and 20 miles from a rural applying facility.

In determining whether to grant a certificate of need for additional beds for any intermediate care facility or nursing facility, the health facilities review committee shall base its decision on the service area's need, as described in the bill.

In determining whether to grant a certificate of need for additional beds for any residential care facility or assisted living facility, the health facilities review shall base its decision on the service area's need, as described in the bill.

Any application seeking approval or new or additional beds in any intermediate care facility, skilled nursing facility, residential care facility, or assisted living facility shall not be considered if the minimum average occupancy of all existing licensed beds in the service area is not at least at 80% for the most recent beds report.

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

L.R. No. 1268H.021

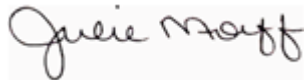
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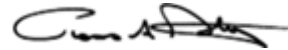
January 30, 2023

SOURCES OF INFORMATION

Attorney General's Office  
Department of Health and Senior Services  
Department of Social Services  
Office of the State Courts Administrator



Julie Morff  
Director  
January 30, 2023



Ross Strobe  
Assistant Director  
January 30, 2023