

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2726-01
Bill No.: SB 763
Subject: Certificate of Need; health Care; Health Care Professionals; Nursing and Boarding Homes
Type: Original
Date: April 14, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General	(Less than \$179,316)	(Less than \$179,316)	(Less than \$179,316)
Total Estimated Net Effect on General Revenue Fund	(Less than \$179,316)	(Less than \$179,316)	(Less than \$179,316)

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Professional Registration** state that this proposal would not fiscally impact their agency.

Officials from the **Department of Mental Health (DMH)** state that state operated long term care facilities are exempted from review certification. Therefore, there is no fiscal impact to the DMH.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state that 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 120% of the weighted average statewide per diem rate for the first three years of operation. The fourth year of operation they are given a prospective per diem rate based off of their fourth prior year cost report. DMS states with the addition of new hospitals, existing hospitals would lose patient days as individuals may go to the new hospital instead of the existing hospital. 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. This would not be expected to happen until FY 09.

ASSUMPTION (continued)

Officials from the **Missouri Health Facilities Review Committee (MHFRC)** state this proposal would result in the loss of application fees which go into General Revenue. MHFRC states there would be no oversight for new or expanded acute care services.

MHFRC states from January 1, 2003 to December 9, 2003, \$79,316 was collected in application fees for major medical equipment and/or acute care-related projects, which was deposited into General Revenue. MHFRC states under this proposal, certificate of need would apply only to long term care projects.

Officials from the **Office of Attorney General (AGO)** state 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 Health and Senior Services (DOH)** state the effect of the removal of the certificate of need process for health care services and health care facilities is unknown. DOH states there is an indeterminate fiscal impact, which could result from additional costs or from cost savings due to future impact regarding the number of health care services or health care facilities requiring licensure, inspection and/or complaint investigations.

In a similar note from the previous session, DOH stated the proposal would not be expected to significantly impact the operations of the DOH. If the proposal were to substantially impact any DOH programs, the DOH would request funding through the legislative process.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Revenues—Missouri Health Facilities Review Committee</u>			
Reduction in application fees	<u>(\$79,316)</u>	<u>(\$79,316)</u>	<u>(\$79,316)</u>
<u>Costs - Office of Attorney General</u>			
Litigation costs	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Less than \$179,316)</u>	<u>(Less than \$179,316)</u>	<u>(Less than \$179,316)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<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.

DESCRIPTION

This act limits the certificate of need law to only long-term care facilities

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

Missouri Health Facilities Review Committee
Department of Health and Senior Services
Department of Social Services
Department of Mental Health
Department of Economic Development -
Division of Professional Registration
Office of Attorney General



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Director
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