

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0527-01
Bill No.: SB 86
Subject: Department of Health and Senior Services; Elderly; Nursing and Boarding Homes; Certificate of Need
Type: Original
Date: January 31, 2011

Bill Summary: This legislation repeals the Certificate of Need Law.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(Unknown but Greater than \$138,652)	(Unknown but Greater than \$166,381)	(Unknown but Greater than \$166,381)
Total Estimated Net Effect on General Revenue Fund	(Unknown but Greater than \$138,652)	(Unknown but Greater than \$166,381)	(Unknown but Greater than \$166,381)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and cost would net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Attorney General** and the **Department of Insurance, Financial Institutions and Professional Registration** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Mental Health (DMH)** states DMH facilities are not subject to Chapter 197, RSMo; therefore, this proposal does not create a fiscal impact to DMH.

Officials from the **Department of Social Services** assume the proposal repeals the Missouri Certificate of Need (CON) law which could impact MO HealthNet Division's payments to hospitals and health care facilities (nursing facilities).

Currently, capital improvements and acquisitions for hospitals do not require CON approval. Although some items do require CON approval, the MHD assumes there will be minimal impact to hospital rates. It is unknown whether new hospitals will be built as a result of this legislation.

The MHD assumes that, because of this legislation, new health care facilities will be built and current licensed skilled nursing facility beds will be transferred. The placement of these

ASSUMPTION (continued)

residents in a new facility versus an old one could result in a fiscal impact to the MHD, because of higher rates in the new facility. It is also assumed that the number of residents and days will remain the same.

It is unknown how many new health care facilities will be built in the state, but as an example, if an existing facility with an average per-diem rate of \$133 chooses to transfer beds to a new facility, the new rate would be approximately \$142 (the average new facility rate for the past year.) With this rate difference of \$9, it will only take 11,112 patient days to reach \$100,000.

The fiscal impact to the MHD is unknown but greater than \$100,000.

Oversight notes that states can earn the federal medical assistance percentage (FMAP) on Medicaid program expenditures.

Officials from the **Department of Health and Senior Services (DHSS)** assume the proposed legislation (sections 197.300 and 197.366) would result in a loss of application fees going to state revenues. FY 2009 and FY 2010 application fees deposited into General Revenue totaled \$405,514 and \$332,853 respectively. Fee collections in FY 2011 are projected to be approximately \$475,000. Fee collections for FY 2012 through 2014 is projected to be approximately \$330,000 annually.

The repeal of the Certificate of Need (CON) program would also result in a cost avoidance of current program costs. The DHSS FY 2012 budget request for the CON program includes \$125,327 for personal service for 2.0 FTE and \$9,406 for expense and equipment. An estimated \$65,596 (52.34% of personal services) in fringe savings would also be realized in HB 5 (Office of Administration). Cost savings for FY 2012 included on the worksheet are estimated based on ten months of funding since the repeal of the program will not go into effect until the end of August.

The net effect of the repeal of the program is estimated to result in a net loss to General Revenue of \$108,060 in FY 2012 and \$129,671 in FY 2013 and FY 2014.

If elimination of the Certificate of Need program results in an increase in the number of regulated providers in the future, the DHSS will request funding for additional inspection staff through the new decision item process.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Cost Avoidance</u> - Department of Health and Senior Services	<u>\$166,940</u>	<u>\$200,329</u>	<u>\$200,329</u>
<u>Loss</u> - Department of Health and Senior Services			
Application Fee Loss	<u>(\$275,000)</u>	<u>(\$330,000)</u>	<u>(\$330,000)</u>
<u>Costs</u> - Department Social Services			
Program Costs	<u>(Unknown but Greater than \$30,592)</u>	<u>(Unknown but Greater than \$36,710)</u>	<u>(Unknown but Greater than \$36,710)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown but Greater than \$138,652)</u>	<u>(Unknown but Greater than \$166,381)</u>	<u>(Unknown but Greater than \$166,381)</u>
FEDERAL FUNDS			
<u>Income</u> - Department of Social Services			
Federal Assistance	<u>Unknown but Greater than \$52,741</u>	<u>Unknown but Greater than \$63,290</u>	<u>Unknown but Greater than \$63,290</u>
<u>Costs</u> - Department of Social Services			
Program Costs	<u>(Unknown but Greater than \$52,741)</u>	<u>(Unknown but Greater than \$63,290)</u>	<u>(Unknown but Greater than \$63,290)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

It is unknown if there would be a direct fiscal impact to small businesses as a result of this proposal.

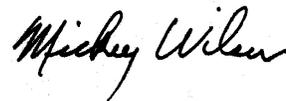
FISCAL DESCRIPTION

The proposed legislation repeals the certificate of need law and certain statutory references to the law.

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 Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Health and Senior Services
Department of Social Services
Office of the Secretary of State



Mickey Wilson, CPA
Director
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