

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3904S.01I
Bill No.: SB 890
Subject: Certificate of Need; Health Care; Department of Health and Senior Services;
Hospitals; Nursing Homes and Long-Term Care Facilities
Type: Original
Date: February 22, 2022

Bill Summary: This proposal repeals the certificate of need law.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue	(\$252,001)	(\$306,937)	(\$311,541)
Total Estimated Net Effect on General Revenue	(\$252,001)	(\$306,937)	(\$311,541)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on FTE	0	0	0

- 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§197.705, 198.530, 208.169, and 354.095 – Repeals certificate of need law

Officials from the **Department of Health and Senior Services (DHSS)** state the proposed legislation would eliminate Certificate of Need (CON) laws in the state; therefore, a CON would not be required for the implementation of institutional health service projects.

The DHSS, Division of Regulation and Licensure (DRL) generates an average of \$303,958 of General Revenue a year from CON application fees and project cost overrun fees (based on fees received over the last three years of \$920,189). Using a 1.5 percent annual growth rate, the total fiscal impact projected to General Revenue will be a reduction in fees of:

\$249,537 ($\$299,444 * 10/12 = \$249,537$) for FY 2023
\$303,936 for FY 2024
\$308,495 for FY 2025

There would be an additional loss of general revenue for the DHSS, Bureau of Health Care Analyst and Data Dissemination. This revenue loss is estimated to be \$2,464 ($\$2,957 * 10/12 = \$2,464$) in FY2023, \$3,001 in FY2024, and \$3,046 in FY2025. In FY 2021, an estimated 28 CON applications required population data requests. Assuming 28 applications x \$102.50 per request = \$2,870. A 1.5% increase in loss each year is assumed.

There would also be a loss of revenue for some small businesses who consult with CON.

Therefore, the total reduction in CON-related application fees and data requests to the General Revenue Fund would be \$252,001 ($\$249,537 + \$2,464$) in FY 2023; \$306,937 ($\$303,936 + \$3,001$) in FY 2024; and \$311,541 ($\$308,495 + \$3,046$) in FY 2025.

The elimination of CON will require changes to state rules and regulations, section policies and procedures, manuals, and forms. DRL assumes it will take approximately 12 additional hours to make the necessary changes. The department anticipates being able to absorb these costs. However, until the FY23 budget is final, the department cannot identify specific funding sources.

Oversight notes, in response to similar legislation from 2021 (2492.02/ HCS for HB Nos.1222 & 1342), DHSS indicated 2 FTE would be lost as a result of the discontinuation of the CON. DHSS officials indicated the appropriation for the CON program has been eliminated from their current budget and the two positions referred to have been absorbed in the Division of Regulation and Licensure's Director's Office.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the reduction in fees to the General Revenue Fund as provided by the DHSS as the fiscal impact for this proposal, with no direct savings in dedicated FTE costs.

Officials from the **Attorney General's Office**, the **Department of Commerce and Insurance**, the **Department of Mental Health** and the **Department of Social Services** 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.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 \$5,000. 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 its 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 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 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE FUND			
<u>Loss – DHSS - Reduction in CON related application fees and data requests</u>	<u>(\$252,001)</u>	<u>(\$306,937)</u>	<u>(\$311,541)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$252,001)</u>	<u>(\$306,937)</u>	<u>(\$311,541)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

This could cause a fiscal impact for the small facilities who consult with the Missouri Certificate of Need (CON) Program regarding issues related to the need for institutional health services. These businesses would instead have to hire a consultant to work through the issues.

FISCAL DESCRIPTION

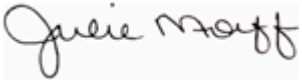
This act repeals the Certificate of Need law and certain statutory references to the law.

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

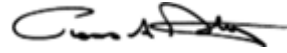
SOURCES OF INFORMATION

Attorney General’s Office
 Department of Commerce and Insurance
 Department of Health and Senior Services
 Department of Mental Health
 Department of Social Services
 Office of the Secretary of State
 Joint Committee on Administrative Rules

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