

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Fiscal Note

BILL NUMBER: House Bill 177 (First Edition)

SHORT TITLE: Amend Certificate of Need Laws.

SPONSOR(S): Representatives Avila, Collins, and Burr

FISCAL IMPACT

(\$ in millions)

Yes No No Estimate Available

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
State Impact					
General Fund Revenues:	150,000	150,000	150,000	150,000	150,000
General Fund Expenditures:	789,152	793,486	374,581	379,466	383,732
Special Fund Revenues:					
Special Fund Expenditures:					
State Positions:					
NET STATE IMPACT	(639,152)	(643,486)	(224,581)	(229,466)	(233,732)
Local Impact					
Revenues:					
Expenditures:					
NET LOCAL IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:

EFFECTIVE DATE When it becomes law

TECHNICAL CONSIDERATIONS:

None

BILL SUMMARY: House Bill 177 would amend Certificate of Need laws to delete the definition for diagnostic center and adds a definition for single specialty ambulatory operating room, which is designated as a new institutional service.

CURRENT LAW: Article 9 of Chapter 131E contains the Certificate of Need (CON) regulations that prescribe the processes for licensing certain health care services and controls the acquisition of expensive health care technology and facilities.

Specifically, G.S. 131E-176 includes a definition of a "Diagnostic center" for purposes of Article 9 of Chapter 131E and the criteria under which CON review and approval is required. G.S. 131E-178 excludes gastrointestinal endoscopy procedures located in a non-licensed setting from certificate of need to license that setting as an ambulatory surgical facility.

G.S. 131E-182 provides that the Department in its rules shall establish schedules for submission and review of completed applications. Finally, G.S. 131E-184 provides that conditions under which new institutional health services shall be exempt from certificate of need review.

BILL ANALYSIS: Exemption of Diagnostic Centers from CON certification has two considerations; if the facility is going to provide services through the hospital license it would be reviewable by the Acute Section, if not exempt per HB 1297. If the facility is not providing services through the hospital license it would not be required to be reviewed by the Construction Section.

The facility would only need to meet North Carolina State Building Code along with any local regulations. Historically, the Division of Health Services Regulation (DHSR) has received approximately 5 applications for those facilities that would need to be reviewed and inspected. HB 177 will result in an estimated 45 new Diagnostic Centers would require review and inspection by the Construction Section.

This would consist of two reviews each by an Architect and Engineer and two one day inspections by an Architect and Engineer. The sunset results in the increase in manpower being for a one to two year period and could be absorbed by the existing staff. However, this would extend DHSR's review time for other projects by about 5 weeks from present condition of 8-10 week to 13-15 week review time.

The exemption of CON for single specialty Ambulatory Surgery Centers would require that these facilities to be reviewed and inspected by the DHSR Construction Section for compliance with Hospital Outpatient rules and/or the Ambulatory Surgery rules depending on their relation to a hospital license. At the present time DHSR reviews approximately 10 of these facilities a year.

Preliminary estimates by the CON Section of DHSR identified approximately 300 facilities that would fall under the exemption. This would require a construction project fee to be paid, a minimum of 2 reviews by an Architect and Engineer each, two one day inspections by an Architect and Engineer and a one day Life Safety inspection conducted by a certified Life Safety Engineer. The additional work would require an additional two Architects and Engineers for approximately two years due to the bill having a sunset date.

If this work was absorbed by the Construction Section current review times would increase due to the change in workload. DHSR estimates the change to result in a review time for all projects to be 16-20 weeks.

The current Ambulatory Surgery rules are written for Multi-specialty, the rules would need to be amended for use on a single specialty or equivalencies would need to be granted based on a single specialty.

ASSUMPTIONS AND METHODOLOGY:

DHSR has indicated that the expenditures to implement this bill are as follows:

Expenditures related to the Acute Section of DHSR

	FTE's	2014 Expenditures	2015 Expenditures	2016 Expenditures	2017 Expenditures	2018 Expenditures
Salary and Benefits	5.00	\$ 347,182	\$ 351,324	\$ 355,835	\$ 360,276	\$ 364,208
Travel		16,000	16,588	16,906	17,305	17,589
Supplies and Materials		1,750	1,795	1,840	1,885	1,935
Furniture and Equipment		20,000				-
Total	5.00	\$ 384,932	\$ 369,707	\$ 374,581	\$ 379,466	\$ 383,732

Expenditures related to the Construction Section of DHSR

	FTE's	2014	2015	2016	2017	2018
Salaries and Benefits	4.00	\$ 374,220	\$ 378,778	\$ -	\$ -	\$ -
Travel		17,000	39,000	-	-	-
Supplies and Materials		3,000	5,000	-	-	-
Furniture and Equipment		10,000	1,000	-	-	-
Total	4.00	\$ 404,220	\$ 423,778	\$ -	\$ -	\$ -

The staffing and non-salary expenditures are necessary to ensure that delays in other DHSR reviews do not occur. Salary expenditures are based on the midpoint for FSC I and FSC II is due to the difficulty in attracting and hiring nurse applicants.

SOURCES OF DATA: Division of Health Services Regulation

TECHNICAL CONSIDERATIONS: None

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