

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: House Bill 200 (First Edition)

SHORT TITLE: Amend Certificate of Need Laws.

SPONSOR(S): Representatives Avila, Bishop, Collins, and Michaux

| FISCAL IMPACT | | | | | |
|----------------------------|---|-----------------------------|---|-------------------|-------------------|
| (\$ in millions) | | | | | |
| | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | <input checked="" type="checkbox"/> No Estimate Available | | |
| State Impact | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
| General Fund Revenues: | \$0.2 | \$0.1 | \$0.1 | \$0.1 | \$0.1 |
| General Fund Expenditures: | \$0.9 | \$0.9 | \$0.9 | \$0.9 | \$0.9 |
| Special Fund Revenues: | | | | | |
| Special Fund Expenditures: | | | | | |
| State Positions: | | | | | |
| NET STATE IMPACT | (\$0.7) | (\$0.8) | (\$0.8) | (\$0.8) | (\$0.8) |
| Local Impact | | | | | |
| Revenues: | | | | | |
| Expenditures: | | | | | |
| NET LOCAL IMPACT | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:
 Department of Health and Human Services - Division of Health Service Regulation - Estimate included.
Department of Health and Human Services - Division of Medical Assistance - No estimate available.
State Employees Health Plan of North Carolina - No estimate available.

EFFECTIVE DATE: Act effective when legislation becomes law.

TECHNICAL CONSIDERATIONS:
 None

BILL SUMMARY:

H200 would amend Certificate of Need Laws to exempt diagnostic centers, ambulatory surgical centers, gastrointestinal endoscopy rooms and psychiatric hospitals Certificate of Need review; prohibiting the State Medical Facilities Plan from limiting the number of operating rooms and gastrointestinal endoscopy rooms and enhancing licensing requirements for the development, acquisition or replacement of ambulatory surgical facilities.

Amends GS 131E-176(9b) to delete the following from the definition of health service facility a psychiatric facility, a diagnostic center, and an ambulatory surgical facility. Also amends GS 131E-176(16) to provide that "new institutional health services" no longer includes the conversion of special ambulatory surgical programs to a multi-specialty ambulatory surgical program; the construction, development, establishment, or increase in the number of operating rooms or gastrointestinal endoscopy rooms; or changes in the designations for use and type of rooms.

Amends GS 131E-177 to clarify the powers and duties of the Department of Health and Human Services (DHHS) as the State Health Planning and Development Agency for North Carolina. Authorizes DHHS to develop a State Medical Facilities Plan (Plan), providing that the Plan does not include policies or need determinations that limit the number of operating rooms or gastrointestinal endoscopy rooms. Makes technical changes.

Amends GS 131E-183 to no longer require the proposed project applying for a certificate of need to be consistent with policies and need determinations in the State Medical Facilities Plan constituting a limitation on operating rooms.

Amends GS 131-184(a) to exempt diagnostic centers, ambulatory surgical facilities, gastrointestinal endoscopy rooms, and psychiatric hospitals from certificate of need review if a certificate of need approval was obtained before the act becomes effective.

Adds a new subsection (f) to GS 131E-147 to specify the required content for an application for a license or renewal of a license to operate an ambulatory surgical facility developed, acquired, or replaced on or after this act becomes effective.

Repeals GS 131E-175(11) and (12). Makes conforming changes to GS 131E-178(a) and GS 131E-184(a).

ASSUMPTIONS AND METHODOLOGY:

The Division of Health Service Regulation:

The Division of Health Service Regulation (DHSR) oversees medical, mental health and adult care facilities, emergency medical services, and local jails. DHSR is responsible to inspect facilities to ensure patients are safe and receive appropriate care. DHSR also makes certain that medical buildings are built only when there is a need for them.

DHSR has estimated that this bill would result in approximately 100 new surgical centers opening in North Carolina. There is no estimate of the number of new cases that would be performed based on these new facilities or the number of cases that would shift from the hospital outpatient surgery setting. DHSR has indicated that the expenditures in the Certificate of Need and Construction Sections of DHSR to implement this bill are as follows:

| | FTE's | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------------------|------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Licensing Salaries and Benefits | 7.0 | \$ 595,430 | \$ 607,339 | \$ 619,485 | \$ 631,875 | \$ 644,513 |
| Licensing Travels and Fees | | 27,000 | 27,540 | 28,091 | 28,653 | 29,226 |
| Licensing Other Recurring Expenses | | 17,600 | 17,952 | 18,311 | 18,677 | 19,051 |
| Licensing Non-Recurring Expenses | | 17,500 | | | | |
| Construction Salaries and Benefits | 2.0 | 192,590 | 196,442 | 200,371 | 204,378 | 208,466 |
| Construction Travels and Fees | | 9,000 | 9,180 | 9,364 | 9,551 | 9,742 |
| Construction Other Recurring Expenses | | 5,500 | 5,610 | 5,722 | 5,837 | 5,953 |
| Construction Non-Recurring Expenses | | 6,200 | - | - | - | - |
| TOTAL REQUIREMENTS | 9.0 | 870,820 | 864,062 | 881,344 | 898,971 | 916,950 |
| TOTAL RECEIPTS | | 158,920 | 85,100 | 85,100 | 85,100 | 85,100 |
| APPROPRIATIONS | | \$ 711,900 | \$ 778,962 | \$ 796,244 | \$ 813,871 | \$ 831,850 |

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.

The Division of Medical Assistance:

The Division of Medical Assistance (DMA) is responsible for the oversight and management of the Medicaid and Health Choice programs that includes clinical policy, financial management and budget, rate setting, audit, program integrity and provider/recipient services.

DMA has not been able to determine an impact on claims, settlement or supplemental provider payments from the implementation of this bill.

Based on the estimates from DHSR and the fact that the 100 new facilities would primarily be physician owned, one impact of this bill would be the shift of outpatient surgical cases from the hospital setting to freestanding ambulatory surgery settings. The shift, assuming no increase in cases, would result in lower claims payments for services based on the shift from a cost based payment to a predetermined fee schedule set by DMA.

The other impact of shifting from a cost based setting to a fee schedule would result in the remaining hospital procedures cost increasing, and thus Medicaid payments, because the fixed hospital cost would be spread over fewer cases in the hospital. This would result in a higher cost per case in the hospital.

Without estimates on the impact on the number of overall cases in each setting and DMA cost estimates is not possible at this time to determine whether lower payments under a fee schedule in an ambulatory setting would be offset by the increase in cost per case in the cost based reimbursement hospital setting and the cost of increased cases in either setting.

State Employees Health Plan of North Carolina:

There is no estimate of any cost impact for the State Employees Health Plan at this time.

SOURCES OF DATA: Division of Health Services Regulation, no information or analysis is available from the Division of Medical Assistance for the impact on claims payments for ambulatory surgery cases.

TECHNICAL CONSIDERATIONS: None

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