

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1289 (Delegate McHale)
Environmental Matters

Hospital Capacity and Cost Containment Act

This bill provides that a certificate of need (CON) is not required (1) for conversion of a hospital to a “limited service hospital”; or (2) to close a hospital or part of a hospital if the Health Resources Planning Commission (HRPC) holds a public informational hearing, and in the case of a hospital that is the sole provider of acute care services in a county, makes certain findings. It decreases from ten to five the number of days within which HRPC must give the Health and Higher Educational Facilities Authority and the Health Services Cost Review Commission (HSCRC) notice of a hospital’s intent to close after receiving a hospital’s notice of intent to close. The bill provides that HRPC is required to give the authority and HSCRC written notification of its determination to delicense a hospital within five days after the determination is made.

The bill takes effect June 1, 1997.

Fiscal Summary

State Effect: None. The bill’s requirements could be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: None. The bill affects hospitals, which are not small businesses.

Fiscal Analysis

Background: The Association of Maryland Hospitals and Health Systems established a task force to develop alternatives and incentives to assist hospitals in downsizing acute inpatient capacity. The task force’s 1996 recommendations viewed the development of

integrated delivery systems as one of the most effective ways to control costs. Integrated delivery systems focus not only on managing the acute care needs of the population but on non-acute and preventive needs as well. This is accomplished by aligning provider incentives such that health care providers have a financial stake in ensuring that care is delivered in the most efficient manner and generally results in downsizing, consolidation, and elimination of excess capacity. One of the task force's recommendations, therefore, was to work with the health commissions to examine State policies that could be used to encourage integrated system development.

Reductions in hospital admissions and length of stay have decreased the number of acute care hospital beds needed. Another task force recommendation was to work with the health commissions to create a "limited service hospital" category to allow for the elimination of acute care capacity at some existing hospitals.

The task force also recommended that the regulatory process for closure of an acute care hospital should quickly facilitate the resolution of issues surrounding closure and that the CON process should be examined to determine whether a more streamlined process is appropriate.

Information Source(s): Department of Health and Mental Hygiene (Health Services Cost Review Commission, Health Resources Planning Commission); Maryland Health and Higher Educational Facilities Authority; The Association of Maryland Hospitals and Health Systems; Department of Fiscal Services

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Analysis by: Sue Friedlander
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710