

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

House Bill 422 (Chairman, Environmental Matters Committee)
 (Departmental – Health and Mental Hygiene)

Environmental Matters

Finance

Hospitals and Residential Treatment Centers - Inspections and Oversight

This departmental bill authorizes the Department of Health and Mental Hygiene (DHMH) to subject an accredited hospital or an accredited residential treatment center to an inspection in order to monitor corrective action taken for any serious or life-threatening patient care deficiency identified by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), the Health Care Financing Administration (HCFA), or DHMH.

Fiscal Summary

State Effect: DHMH general fund expenditures could increase by \$53,400 in FY 2002. Future year estimates reflect annualization and inflation. The civil penalty provisions of this bill are not expected to significantly increase State general fund revenues.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenue	-	-	-	-	-
GF Expenditure	53,400	60,400	63,600	67,000	70,600
Net Effect	(\$53,400)	(\$60,400)	(\$63,600)	(\$67,000)	(\$70,600)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: The Department of Health and Mental Hygiene (DHMH) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: If a serious or life-threatening condition is found to exist, DHMH can order a hospital or residential treatment center to immediately initiate corrective action, and the hospital or residential treatment center is subject to inspection to monitor any corrective action taken. If DHMH determines that a serious or life-threatening patient care deficiency exists and the hospital or residential treatment center fails to correct the deficiency through immediate corrective action, DHMH may: (1) revoke or restrict the hospital's or center's license; (2) impose a civil monetary penalty of up to \$10,000 per instance per day; (3) impose a directed plan or correction; and (4) impose appropriate operating conditions. In determining the action to be taken, DHMH must consider the following factors: (1) the number, nature, and seriousness of the patient care deficiencies; (2) the extent to which the patient care deficiencies are part of an ongoing pattern during the preceding 24 months; (3) the degree of risk to the health, life, or safety of the patients of the hospital or residential treatment center caused by the patient care deficiencies; (4) the efforts made by and the ability of the hospital or center to correct the patient care deficiencies through implementation of immediate corrective action; and (5) the hospital's or center's history of compliance.

Current Law: DHMH may only conduct inspections of a hospital or residential treatment center to investigate a complaint or review compliance with a written progress report of corrective action in response to a finding that the hospital or center is only in partial compliance with patient care standards established by JCAHO. In situations where DHMH finds a life-threatening condition, DHMH can order a hospital to initiate immediate corrective action. If the hospital cannot correct the condition, DHMH can revoke or suspend the hospital's license or impose appropriate operating conditions.

Background: There are 71 accredited hospitals and 15 accredited residential treatment centers in Maryland that would be subject to the bill's provisions.

Prior to 1982, the basis of hospital licensure was an annual inspection conducted by DHMH. In 1982 hospitals accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) could use JCAHO's accreditation survey as the basis for State licensure. In addition, DHMH could only inspect hospitals in response to a complaint of life-threatening conditions. In 1985, 1986, and 1995 the General Assembly provided DHMH with the authority to conduct inspections in more situations: (1) monitoring hospital utilization review, credentialing, and risk management programs; (2) investigating any hospital complaint; and (3) monitoring a written plan of correction to a deficiency identified by JCAHO.

This bill stems, in part, from numerous complaints received by DHMH involving inadequate nursing services at a Maryland hospital. There was no provision allowing

DHMH to monitor actual corrective action of patient care problems or impose any State penalties against the hospital for failure to take corrective action.

State Fiscal Effect: DHMH general fund expenditures could increase by an estimated \$53,434 in fiscal 2002, which accounts for the bill's October 1, 2001 effective date. This estimate reflects the cost of one health facilities survey nurse to conduct inspections of hospitals and residential treatment centers. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	\$43,621
Operating Expenses	<u>9,813</u>
Total FY 2002 State Expenditures	\$53,434

Future year expenditures reflect: (1) a full salary with a 6.5% annual increase in fiscal 2003 and 4.5% annual increases thereafter, with 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The civil penalty provisions of this bill are not expected to significantly increase State general fund revenues.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene (Office of Health Care Quality, Developmental Disabilities Administration, Medicaid, Health Services Cost Review Commission, Maryland Health Care Commission), Department of Legislative Services

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