

Department of Legislative Services  
 Maryland General Assembly  
 2001 Session

FISCAL NOTE

House Bill 1132 (Delegate Dewberry, *et al.*)  
 Environmental Matters

Cardiac Surgery - Licensing

This bill removes cardiac surgery services from Certificate of Need (CON) requirements. In addition, the Department of Health and Mental Hygiene (DHMH) must license each cardiac surgery program operated by a hospital within the State, beginning January 1, 2002.

Fiscal Summary

**State Effect:** DHMH general fund expenditures could increase by \$121,600 in FY 2002. Future year estimates reflect annualization and inflation.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	121,600	154,300	162,100	170,400	179,200
Net Effect	(\$121,600)	(\$154,300)	(\$162,100)	(\$170,400)	(\$179,200)

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

**Local Effect:** None.

**Small Business Effect:** None.

Analysis

**Bill Summary:** DHMH cannot license a program or renew a license of a program in which the mortality and morbidity rates for all patients undergoing surgery in the hospital significantly exceed the mortality and morbidity rates for all cardiac surgery patients in

the State. Licenses are valid for two years. DHMH must adopt regulations to implement the bill's requirements.

The Maryland Institute for Emergency Medical Services Systems, with the assistance of the Secretary of Health and Mental Hygiene and the hospitals providing specialized cardiac care or referring patients for cardiac surgery services, must adopt protocols to guide the rapid inter-hospital transport of cardiac patients.

The Maryland Health Care Commission (MHCC) and the Secretary of Health and Mental Hygiene must submit a report to the Governor and the Senate Finance Committee and House Environmental Matters Committee by December 31, 2005 concerning the impact of removing cardiac surgery services from the CON process on: (1) health care costs in the State; (2) the quality of medical care; (3) access to cardiac surgery services; (4) bed capacity and caseload; and (5) the number of inter-hospital transports for cardiac surgery services.

Until September 30, 2003, DHMH must grant a waiver of the conditions for licensure to any cardiac surgery program that holds a CON granted on or before June 30, 2001 and applies for licensure.

**Current Law:** A CON is the primary method for implementing the State Health Plan and is generally required for capital expenditures, additions, or modifications to existing facilities or services, and new services. The basis for approval of a CON is need, as determined in the State Health Plan.

All hospitals in Maryland must be licensed by DHMH. To qualify for licensure, a hospital must have a certificate of need. Hospitals that are accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) are deemed to have met the State's standards for licensure.

**Background:** The CON process, employed in most states, is a cost-containment regulatory method that began in the early 1970s. CONs prohibit capital expenditures by hospitals and other health care institutions unless a governmental agency finds a need for the new health care services to be offered. Beginning in the 1980s, some states eliminated the CON programs, while others modified the programs and continue to use them in combination with other regulatory programs. Overall, 27 states and the District of Columbia regulate cardiovascular services through a CON process.

There are nine hospitals in Maryland that have a CON to provide open-heart surgery services.

**State Fiscal Effect:** DHMH general fund expenditures could increase by \$121,563 in FY 2002, which accounts for a 90-day start-up delay. It reflects the cost of a physician and research statistician to conduct licensure inspections and analyze data on cardiac surgery morbidity and mortality. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$109,474
Operating Expenses	<u>\$12,089</u>
<b>Total FY 2002 Expenditures</b>	<b>\$121,563</b>

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

The bill's requirements could reduce the number of CON applications received by MHCC; however, any reduction is expected to be minimal and would not materially affect MHCC finances. The reporting requirements could be handled with existing MHCC resources.

The Maryland Institute for Emergency Medical Services Systems could adopt protocols to guide the rapid inter-hospital transport of cardiac patients using existing budgeted resources.

DHMH would not charge cardiac programs for licensure. Accordingly, revenues would not be affected.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 735 (Senators Della and Miller) – Finance.

**Information Source(s):** *An Analysis and Evaluation of Certificate of Need Regulation in Maryland* (January 1, 2001), Maryland Health Care Commission; Maryland Institute for Emergency Medical Services Systems; Department of Health and Mental Hygiene (Office of Health Care Quality, Health Services Cost Review Commission); Department of Legislative Services

**Fiscal Note History:** First Reader – March 1, 2001  
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