

**Department of Legislative Services
Maryland General Assembly
2002 Session**

FISCAL NOTE

House Bill 38 (Delegate Hubbard)
Environmental Matters

Health Care Facilities - Certificate of Need - Obstetric Medical Services

This bill removes obstetric medical services from Certificate of Need (CON) requirements.

Fiscal Summary

State Effect: Any change in State activities would not materially affect State finances.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

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.

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.

According to the Maryland Health Care Commission's (MHCC) report, *Acute Inpatient Obstetric Services*, there are 47 acute general hospitals in Maryland, 13 of which have no obstetric units. The 13 hospitals that do not have obstetric units are located as follows:

three on the lower Eastern Shore, three in Baltimore City, one in Western Maryland, and six in suburban counties surrounding Baltimore and Washington. Six of these 13 hospitals are members of multi-hospital systems with obstetric services available at one or more member institutions. Three hospitals have recently expressed interest in providing obstetric services: (1) Suburban Hospital in Montgomery County; (2) Doctors Community Hospital in Prince George's County; and (3) North Arundel Hospital in Anne Arundel County.

Obstetric service discharges generally have declined over the past decade, from 81,184 in 1990 to 71,454 in 1999. This trend is projected to continue through the next decade. The State Health Plan projects an excess of 241 to 266 obstetric beds in 2000 (the most recent data available), with available capacity more than adequate to meet utilization.

State Fiscal Effect: 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.

Small Business Effect: New obstetric service providers could be favorably affected by the CON exemption and existing providers could be adversely affected. Most ambulatory care centers are single-specialty, physician-owned, and considered small businesses. A 1998 U.S. Census Department survey of U.S. businesses indicates that 94% of ambulatory care centers in Maryland have fewer than 20 employees.

Additional Information

Prior Introductions: Identical bills were introduced in prior sessions, HB 991 in 1999 and HB 38 in 2001, but were both reported unfavorably from the House Environmental Matters Committee.

Cross File: None.

Information Source(s): *Working Paper – Acute Inpatient Obstetric Services (July 21, 2000)*, Maryland Health Care Commission; Department of Health and Mental Hygiene; Department of Legislative Services

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