

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

Senate Bill 402 (Senator Klausmeier)
 Finance

Health - Ambulatory Surgical Facilities - Definition and Regulation

This bill changes the definition of “ambulatory surgical facility” to a facility that operates primarily for the purpose of providing surgical services to patients requiring a period of postoperative observation not exceeding 23 hours. The Office of Health Care Quality (OHCQ) in the Department of Health and Mental Hygiene (DHMH) must adopt regulations providing for the oversight of 23-hour recovery care in ambulatory surgical facilities. OHCQ must submit an annual report to the House Health and Government Operations Committee and the Senate Finance Committee regarding the number of facilities providing 23-hour recovery care and the types of services being provided by ambulatory surgical centers.

Fiscal Summary

State Effect: DHMH general fund expenditures could increase by \$128,500 in FY 2005. Future year estimates reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	128,500	156,100	165,200	174,900	185,400
Net Effect	(\$128,500)	(\$156,100)	(\$165,200)	(\$174,900)	(\$185,400)

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law: An ambulatory surgical facility is a facility that operates primarily for the purpose of providing surgical services to patients requiring a period of postoperative observation *but not requiring overnight hospitalization*.

OHCQ inspects most health care facilities in Maryland. OHCQ inspects a hospital that has been accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) to investigate complaints only, and may inspect nonaccredited hospitals on a biannual basis for compliance with safety and sanitation regulations. For other health care facilities where patients or residents stay overnight, such as nursing homes and group homes, OHCQ inspects facilities on an annual basis.

Background: There are approximately 315 ambulatory surgical facilities in Maryland.

State Fiscal Effect: Currently, OHCQ conducts inspections of these types of facilities once every three years. The bill's provisions increasing the permitted length of stay to overnight would substantially expand the scope of surgical procedures an ambulatory surgical center could perform. A facility that chooses to expand its scope of services could require additional shifts of personnel to provide overnight care, including physicians, nurses, anesthesiologists, and other health care providers. The expanded scope of services and staff would require OHCQ to conduct more frequent inspections, necessitating positions.

DHMH general fund expenditures could increase by an estimated \$128,519 in fiscal 2005, which accounts for the bill's October 1, 2004 effective date. This estimate reflects the cost of hiring two health facilities nurse surveyors to conduct more frequent inspections of ambulatory surgical centers and one office secretary to help process the increased volume of facility surveys. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The estimate assumes one-third of existing ambulatory surgical centers would provide more intensive care. The bill's reporting requirements could be handled with existing OHCQ resources.

Salaries and Fringe Benefits	\$109,696
Operating Expenses	<u>18,823</u>
Total FY 2005 State Expenditures	\$128,519

Future year expenditures reflect: (1) salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Small Business Effect: Ambulatory surgical facilities are currently limited to providing minor outpatient procedures in which a patient is not in need of overnight recovery and monitoring. The bill would permit small business ambulatory surgical facilities to expand the scope of services offered to include surgeries that require more recovery time and overnight stays.

Additional Information

Prior Introductions: SB 612, an identical bill, was introduced in 2003. It was reported unfavorably by the Senate Finance Committee.

Cross File: HB 1355 (Delegate Donaghue) – Rules and Executive Nominations.

Information Source(s): Department of Health and Mental Hygiene (Office of Health Care Quality), Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2004
lc/jr

Analysis by: Susan D. John

Direct Inquiries to:
(410) 946-5510
(301) 970-5510