

Department of Legislative Services  
Maryland General Assembly  
2006 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 832

(Senator Middleton)

Finance

Health and Government Operations

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Maryland Health Care Commission - Certificate of Need - Health Care Facilities

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This bill alters capital expenditure requirements for a Certificate of Need (CON) and makes other changes to the CON process.

The bill takes effect June 1, 2006.

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Fiscal Summary

**State Effect:** The bill's changes could be handled with existing Maryland Health Care Commission (MHCC) budgeted resources. No impact on revenues.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** The bill changes the hospital capital expenditure threshold that requires a CON from \$1.25 million to \$10 million and for a health care facility other than a hospital, from \$1.25 million to \$5 million.

A CON is not needed by a hospital for a capital expenditure that is more than \$10 million if MHCC has not made the specified financial determination required within 60 days of the receipt of the relevant financial information. The financial determination is whether the expenditure would result in more than a \$1.5 million increase in patient charges or hospital rates. A CON is not needed by a hospital for a plant donated to the hospital which does not require a cumulative increase in patient charges or hospital rates of more

than \$1.5 million for capital costs if MHCC has not made the specified financial determination required within 60 days of the receipt of the relevant financial information.

The bill limits public hearing requirements when a hospital or part of a hospital is to close. Only a hospital located in a county with fewer than three hospitals must hold a public informational hearing before closing all or part of a hospital.

**Current Law:** MHCC must issue a CON before a health care facility may be built, developed, or established in the State. A CON is also required for any capital expenditures to add a new medical service to an existing facility. 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.

In general, a CON is required for a capital expenditure by any health care facility that is more than \$1.25 million (adjusted for inflation).

A CON is not required to close a hospital if notice of the closure is filed with MHCC at least 45 days before closure, and a public information hearing is held within 30 days after MHCC's receipt of the notice of intent to close.

**Additional Comments:** Hospitals and related institutions, such as nursing homes, would have more flexibility in planning and executing capital expenditures without needing CON approval.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1015 (Delegate Pendergrass) – Health and Government Operations.

**Information Source(s):** Department of Health and Mental Hygiene, Department of Legislative Services

**Fiscal Note History:** First Reader - March 8, 2006  
ncs/jr Revised - Senate Third Reader - March 28, 2006

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