

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1610 (Delegate Walkup)
Health and Government Operations

Certificate of Need - Hospital Purchase, Merger, or Closure

This bill repeals the requirement that in order to close a hospital or part of a hospital in a county with fewer than three hospitals without a Certificate of Need, the hospital must, within 30 days after notice of intent to close, hold a public informational hearing. The bill instead requires an entity, including the University of Maryland Medical System, to have a CON from the Maryland Health Care Commission before the entity purchases, leases, merges with, or closes any hospital or part of a hospital in a county with fewer than three hospitals.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: Any potential increase in special fund expenditures for MHCC resulting from the bill could be absorbed within the commission's existing budget. No effect on revenues.

Local Effect: The bill could delay or impede the planned purchase, lease, merger, or closure of hospitals in jurisdictions with fewer than three hospitals.

Small Business Effect: None.

Analysis

Current Law: A CON is not required to close any hospital or part of a hospital if • notice of the proposed closing is filed with MHCC at least 45 days before the closing; and • for a hospital located in a county with fewer than three hospitals, within 30 days after receipt of

the notice of the intent to close, the hospital holds a public informational hearing in the county where the hospital is located.

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.

Background: The CON process, employed in most states in some form, is a cost-containment regulatory method that began in the early 1970s. The CON process prohibits capital expenditures by hospitals and other health care facilities unless a governmental agency finds a need for the new health care services to be offered. CON is not typically employed to regulate the purchase, merger, or closure of health care facilities.

There are 68 licensed hospitals in Maryland, including acute care, psychiatric, rehabilitation, and specialty hospitals. Kent County has one hospital, Chester River Hospital, located in Chestertown. A total of 13 counties, including Kent, have fewer than three hospitals and would be subject to the bill's requirements in the event that an entity planned to purchase, lease, merge with, or close a hospital or part of a hospital in that jurisdiction.

Additional Comments: The University of Maryland Medical System could incur additional expenditures beginning in fiscal 2009 to seek a CON to move forward with any purchase, lease, merger, or closure of a hospital in a county with fewer than three hospitals.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mll/ljm

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