

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

House Bill 1503 (Kent County Delegation)  
Health and Government Operations

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Certificate of Need - Hospital Closure

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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 a CON from the Maryland Health Care Commission to close any hospital or part of a hospital in a county with fewer than three hospitals.

The bill takes effect July 1, 2008.

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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 closure of hospitals in jurisdictions with fewer than three hospitals.

**Small Business Effect:** None.

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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 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 of a hospital closure in that jurisdiction.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Anne Arundel County, Garrett County, Montgomery County, Department of Health and Mental Hygiene, Department of Legislative Services

**Fiscal Note History:** First Reader - March 17, 2008  
mcp/ljm

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