

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 106

(Chair, Finance Committee)(By Request - Departmental -
Health)

Finance

Health Care Facilities - Certificate of Need - Exception for State-Owned Facilities

This departmental bill exempts all State-owned facilities from the requirement to have a certificate of need (CON) issued by the Maryland Health Care Commission (MHCC) when new health care facilities and services are developed. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State operations or finances.

Local Effect: None.

Small Business Effect: The Maryland Department of Health (MDH) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: The CON program, located within MHCC, is intended to ensure that new health care facilities and services are developed only as needed and that, if determined to be needed, they:

- are the most cost-effective approach to meeting identified needs;
- are of high quality;
- are geographically and financially accessible;
- are financially viable; and

- will not have a significant negative impact on the cost, quality, or viability of other health care facilities and services.

The CON program requires review and approval of certain types of proposed health care facility and service projects by MHCC. With certain exceptions, a CON is required to:

- build, develop, or establish a new health care facility;
- move an existing health care facility to another site;
- change the type or scope of any health care service offered by a health care facility;
- change the bed capacity of a health care facility; or
- make a health care facility capital expenditure that exceeds a threshold established in Maryland statute.

Five types of facilities are exempt from CON requirements: (1) hospitals and related institutions operated or listed as certified by the First Church of Christ Scientist; (2) comprehensive care facilities that are a part of continuing care retirement communities; (3) certain kidney disease treatment facilities; (4) dental offices; and (5) comprehensive care facilities owned and operated by the Maryland Department of Veterans Affairs (MDVA).

Background: Major capital projects at State-owned facilities are approved by the Executive and Legislative branches, with funding appropriated before the project can be implemented. MHCC typically reviews a project for a CON after the appropriation is made. MHCC advises that, for State-owned facilities, CON review unnecessarily delays projects that the Executive and Legislative branches have already considered and approved.

According to MDH, proposals to expand existing State-owned facilities have been rare; only two projects required CON review in the last 15 years. Furthermore, the State currently does not own and operate health care facilities that are competing for market share with privately owned health care facilities. The bill is intended to expand the CON exemption currently provided to comprehensive care facilities owned and operated by MDVA (*i.e.*, Charlotte Hall Veterans Home) to all State-owned facilities.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of Health; Department of Legislative Services

Fiscal Note History: First Reader - January 10, 2020
mr/jc

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: **Scope of Certificate of Need Regulation – Health Care Facilities Owned by the State of Maryland**

BILL NUMBER: SB 106

PREPARED BY: Maryland Health Care Commission

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed bill will not likely have an economic impact.