



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	H. 3610	Introduced on January 11, 2023
Author:	Beach	
Subject:	Certificate of Need	
Requestor:	House Medical, Military, Public, and Municipal Affairs	
RFA Analyst(s):	Griffith and Boggs	
Impact Date:	January 30, 2023	

Fiscal Impact Summary

This bill eliminates the Certificate of Need (CON) program. The bill will have no expenditure impact on the Department of Health and Environmental Control (DHEC) because the agency will utilize current employees to support any increase in workloads that result from program changes outlined within the bill.

This bill is expected to increase expenses of the Medicaid Program, which is administered by the Department of Health and Human Services (DHHS). According to DHHS, approximately 75 percent of the nursing home beds in South Carolina are funded by the Medicaid Program currently. If nursing homes were exempt from the CON process, there is potential for new nursing home providers to request entrance into the state's Medicaid Program, increasing the number of nursing home beds Medicaid funds and Medicaid's total expenditures. Further, these new providers would likely have higher Medicaid reimbursement rates than those currently participating in the state's Medicaid Program due to facility construction costs and/or lower occupancy rates, resulting in a higher per diem rate than existing facilities. However, any additional nursing home providers would have to obtain the necessary Medicaid permit to be able to provide Medicaid services. Since the additional number of nursing homes that may apply for the permit is unknown, the expenditure impact on the Medicaid Program is undetermined. For reference, DHHS indicates that the Medicaid Program's expenses for nursing home services totaled \$636,000,000 in FY 2021-22.

The bill is expected to reduce General Fund revenue by \$636,000 each year beginning in FY 2023-24 due to the elimination of the CON program and the fees it collected. The bill will have no impact on Other Funds revenue of DHEC since the total amount of fees collected for the CON program have been under \$750,000 historically, and all fee revenue has been allocated to the General Fund.

Explanation of Fiscal Impact

Introduced on January 11, 2023

State Expenditure

This bill eliminates the CON program. In doing so, DHEC shall not accept new applications or act on pending applications. The agency must notify existing facilities with a CON that they are

no longer required to submit regular reports. In addition, the agency will discontinue the collection of CON-related fees.

Department of Health and Environmental Control. DHEC indicates that based on past experience and estimates from other states, the elimination of the CON program will increase licensure applications from health care facilities, thereby increasing workload. In order to support the increased workload, DHEC will transition the 3.0 FTEs who currently work primarily on CON applications to assist with additional licensure responsibilities. Therefore, there is no expenditure impact to the agency.

Department of Health and Human Services. This bill is expected to increase expenses of the Medicaid Program. According to DHHS, approximately 75 percent of nursing home beds in South Carolina are funded by the state's Medicaid Program. If nursing homes were exempt from the CON process, there is potential for new nursing home providers to request entrance into the state's Medicaid Program, expanding the number of beds funded by Medicaid. Further, these new providers would likely have higher Medicaid reimbursement rates than those currently participating in the state's Medicaid Program, resulting in increased expenditures. A newly constructed nursing facility entering the Medicaid Program for the first time is likely to incur higher capital costs, as well as lower occupancy rates, than most of the current Medicaid nursing facilities. This will increase Medicaid per diem rates for those facilities. Alternatively, an existing nursing facility that does not currently contract with Medicaid and enters the Medicaid Program for the first time will likely also reflect lower occupancy rates than most of the contracting Medicaid nursing facilities, which will drive up Medicaid per diem rates for those facilities as well. However, any additional providers would have to obtain the necessary Medicaid nursing home permit to be able to provide Medicaid services. Since the additional number of nursing homes that may apply for the permit and the resulting increase in beds is unknown, the expenditure impact on the Medicaid Program is undetermined. For reference, DHHS indicates that the Medicaid Program's expenses for nursing home services totaled \$636,000,000 in FY 2021-22.

State Revenue

Pursuant to Section 44-7-150, the first \$750,000 of the fees collected under the CON program are deposited into the General Fund, and the remaining amount collected is retained by DHEC for administrative costs of the program. The CON program collected an average of approximately \$645,000 in fees over the past three fiscal years. Based upon the November 11, 2022, Board of Economic Advisors' forecast, fees for the CON program are expected to total approximately \$636,000 in FY 2023-24. Therefore, this bill is expected to reduce General Fund revenue by approximately \$636,000 each year beginning in FY 2023-24. The bill will have no impact on Other Funds revenue of DHEC since the total amount of fees collected for the CON program have been under \$750,000 historically, and all fee revenue has been allocated to the General Fund.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director