



HB 2350 - SB 2312

March 9, 2020

SUMMARY OF ORIGINAL BILL: Makes various changes to the certificate of need (CON) process for healthcare facilities and services.

Requires the Health Services Development Agency (HSDA) to develop criteria and standards to guide the agency when issuing certificates of need, that are evaluated and updated at least annually, and to seek input on the criteria and standards it is developing from: the Division of TennCare, or its successor; the Departments of Health (DOH), the Department of Mental Health and Substance Abuse Services (DMHSAS), and the Department of Intellectual and Developmental Disabilities (DIDD); the Health and Welfare Committee of the Senate; and the Health Committee of the House of Representatives.

Requires HSDA to conduct studies related to health care, including a needs assessment that must be updated at least annually and to submit a proposal to the General Assembly no later than October 1, 2020, detailing objectives, governance, costs, and implementation timeline of a state all payer claims database.

Exempts certain facilities and services from having to obtain a CON.

Allows the Commissioners of DOH, DMHSAS, and DIDD to submit written reports or statements and send representatives to testify before the agency to inform the agency with respect to applications.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue –

Net Impact – \$848,800/FY20-21 and Subsequent Years/
Health Services Development Agency
\$37,300/FY20-21 and Subsequent Years/General Fund

Decrease State Revenue – \$177,900/FY20-21 and Subsequent Years/

Department of Health

Increase State Expenditures –

\$296,500/FY20-21/Health Services Development Agency
\$369,700/FY20-21/General Fund
\$281,200/FY21-22 and Subsequent Years/
Health Services Development Agency

\$364,300/FY21-22 and Subsequent Years/General Fund

Pursuant to Tenn. Code Ann. § 68-11-1623(b), the Health Services Development Agency (HSDA) is required to be self-sufficient. As of June 30, 2019, the HSDA's reserve fund balance was \$1,900,000. The Governor's FY20-21 proposed budget recommends \$1,300,000. The HSDA may increase fees for other certificate of need applicants in the future, if necessary, to remain self-sufficiency.

SUMMARY OF AMENDMENT (016413): Deletes and replaces language of the original bill such that the only substantive changes are:

- Defines “nursing home” and “nursing home bed”;
- Requires the criteria and standards the HSDA develops must be adopted by the Agency during a public meeting and only after the HSDA has provided an opportunity for written and in-person public comment, not through rulemaking procedures in the Uniform Administrative Procedures Act;
- Prevents health care institutions from: (1) adding beds of a category of service that they were not already providing; (2) redistributing beds to other facilities; and (3) establishing new beds at new satellite facilities;
- Eliminates CON requirement for replacement facilities;
- Requires a provider of positron emission tomography and an outpatient diagnostic center established without a CON to become certified by the American College of Radiology within two years of the date of licensure;
- Requires any home care organization providing services without a CON to be accredited by the Joint Commission, the Community Health Accreditation Partner, or the Accreditation Commission for Health Care;
- Clarifies home health agencies providing services to pediatric patients under the TennCare program may continue to serve those patients until they are 21 years of age.
- Allows an ambulatory surgical treatment center or free-standing emergency department in a county with a population in excess of 175,000 to be established without a CON.
- Requires a county that, as of January 1, 2020, is designated as an economically distressed eligible county by the Department of Economic and Community Development, to also have no actively licensed hospital located within the county to be exempt from having to obtain a CON.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

Department of Health

- The DOH collected \$177,925 in fees for licenses from health care providers used for purposes of supporting the state health planning division in FY18-19.

- The proposed legislation increases the fee schedule and redirects the revenue from the licensing fees to the HSDA; however the DOH is responsible for collecting the fees.
- As a result, the DOH will experience a decrease in state revenue estimated to be \$177,925 in FY20-21 and subsequent years.
- The DOH cannot accommodate the proposed legislation within existing resources. The DOH will need one General Counsel 3 and one Public Health Nurse Consultant 1 to accommodate processing new applications and investigating complaints.
- The one-time increase in state expenditures is estimated to be \$5,400 for office furniture in FY20-21.
- The recurring increase in state expenditures is estimated to be \$199,577 (\$142,908 salaries + \$36,869 benefits + \$15,800 administrative cost + \$2,800 communications + \$1,200 supplies) in FY20-21 and subsequent years.

Health Services and Development Agency

- The recurring increase in state revenue to the HSDA due to increasing licensure fees for healthcare providers and transferring total fee proceeds to an HSDA account is estimated to be \$1,536,493 in FY20-21 and subsequent years.
- The HSDA will reduce the current CON application fees from \$5.75 per \$1,000 of project costs with a minimum of \$15,000 and a maximum of \$95,000 to \$2.25 per \$1,000 of project costs with a minimum of \$3,000 and a maximum of \$45,000.
- Under the current fee structure, the average CON fee collections from FY16-17 through FY18-19 were \$1,465,903.
- This amount represents a higher than typical average of collections; therefore, this analysis assumes this average is 30 percent higher than the projected amount to be collected.
- CON fee collections are estimated to be \$1,127,618 ($\$1,465,903 / 1.3$) in FY20-21 and subsequent years under current law.
- Using the reduced fee schedule that HSDA will adopt upon passage of this legislation, the average CON fee collections from FY16-17 through FY18-19 would have been \$571,864.
- Adjusting for the higher than average collections during that time-frame, CON fee collections, after the planned reduction in fees, are estimated to be \$439,895 ($\$571,864 / 1.3$) in FY20-21 and subsequent years.
- The recurring decrease in state revenue associated with a reduction in CON fees is estimated to be \$687,723 ($\$1,127,618 - \$439,895$).
- The total net increase in state revenue to the HSDA is estimated to be \$848,770 ($\$1,536,493 - \$687,723$) in FY20-21 and subsequent years
- The HSDA cannot accommodate the proposed legislation within existing resources and will need to reclassify two existing positions and hire three new positions to accommodate the added requirements of the proposed legislation.
- The one-time increase in state expenditures is estimated to be \$15,292 for computer and work stations.
- The recurring increase in state expenditures is estimated to be \$281,208 (\$215,256 salaries + \$55,452 benefits + \$7,000 supplies + \$3,500 membership fees) in FY20-21 and subsequent years.

Department of Mental Health and Substance Abuse Services

- The proposed legislation allows any hospital licensed under Title 33 or 68 to operate a non-residential substitution-based opioid treatment center if the program is certified by the DMHSAS and the federal Department of Health and Human Services (DHHS). The DMHSAS does not certify opioid treatment programs. They license the programs once they have received a CON from the HSDA and have been certified by the federal DHHS.
- The DMHSAS has been designated as the State Opioid Treatment Authority (SOTA) under federal law and is responsible for program oversight and clinical assistance of any such opioid treatment programs. The clinics are required to be surveyed at least twice a year to maintain licensure.
- The DMHSAS currently licenses 19 mental health hospitals and the DOH licenses 147.
- The DMHSAS currently licenses 14 non-residential office-based opiate treatment facilities. The licensure fee for these facilities is \$810.
- This analysis assumes a total of 152 [(19 mental health hospitals - 14 non-residential office-based opiate treatment facilities) + 147 DOH hospitals] facilities would be eligible to apply for licensure in order to operate an opioid treatment program.
- Assuming 30 percent or 46 (152 x 30.0%) hospitals will apply for licensure with DMHSAS to establish an opioid treatment program, the recurring increase in state revenue is estimated to be \$37,260 (46 hospitals x \$810).
- The DMHSAS will require two additional clinical positions to maintain the current 20 facilities to one position.
- The recurring increase in state expenditures is estimated to be \$164,685 {[((\$47,616 salary + \$14,475 benefits) x 2 positions) + \$40,503 travel, supplies, computer, etc.} in FY20-21 and subsequent years.

Division of TennCare

- The proposed legislation deletes Tenn. Code Ann. § 68-11-1621 which establishes criteria for issuance of CON for new nursing home beds regardless of site, including conversion of any beds to licensed nursing home beds.
- No CON requests have been denied under this section of code in several years; therefore, any fiscal impact is estimated to be not significant.

Total Fiscal Impact

- The recurring net increase in state revenue to the HSDA is estimated to be \$848,770 in FY20-21 and subsequent years.
- The total recurring increase in state revenue to the General Fund is estimated to be \$37,260 in FY20-21 and subsequent years.
- The total recurring decrease in state revenue to the DOH is estimated to be \$177,925 in FY20-21 and subsequent years.
- The total increase in state expenditures to the HSDA is estimated to be \$296,500 (\$281,208 + \$15,292) in FY20-21 and \$281,208 in FY21-22 and subsequent years.
- The total increase in state expenditures to the General Fund is estimated to be \$369,662 (\$5,400 + \$199,577 + \$164,685) in FY20-21 and \$364,262 (\$199,577 + \$164,685) in FY21-22 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Handwritten signature of Krista Lee Carsner in black ink.

Krista Lee Carsner, Executive Director

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