

Agency: 303 Department of Health
Decision Package Code/Title: N4 Certificate of Need Fee Increase
Budget Period: 2015-17
Budget Level: PL-Performance Level

Recommendation Summary Text:

The Department of Health requests authority to increase fees for Certificate of Need services. The Certificate of Need (CoN) Program ensures new health care facilities and services developed in Washington balance cost effectiveness with quality care that is geographically and financially accessible. The revenue from this increase will allow the program to update CoN review standards and numeric methodologies.

Fiscal Detail

| Operating Expenditures | | | <u>FY 2016</u> | <u>FY 2017</u> | <u>Total</u> |
|-------------------------------|------------------------------|--|-----------------------|-----------------------|--------------------------|
| 001-7 | General Fund - Private/Local | | 156,000 | 301,000 | 457,000 |
| Total Cost | | | 156,000 | 301,000 | 457,000 |
| Staffing | | | <u>FY 2016</u> | <u>FY 2017</u> | <u>Annual Avg</u> |
| FTEs | | | 1.5 | 3.0 | 2.3 |
| Revenue | | | <u>FY 2016</u> | <u>FY 2017</u> | <u>Total</u> |
| Fund | Source | | | | |
| 001 General Fund | 0597-Reimburs P/Local Con | | 200,000 | 430,000 | 630,000 |
| Total Revenue | | | 200,000 | 430,000 | 630,000 |

Package Description:

The CoN program is facing three significant challenges: 1) Population growth in Washington has resulted in an increased demand for health care services governed by the CoN laws. 2) Health care technologies have changed and improved significantly. 3) CoN standards and numeric methodologies are in rule and have not changed since the late 1980's.

In 2005, the Joint Legislative Audit and Review Committee (JLARC) conducted a performance audit of the CoN program. While most of the audit findings have been addressed, one remains unfinished. JLARC found the program was only partially compliant with CoN laws. JLARC suggested certain legislative changes to bring the program current. The rules governing the program were developed in the 1980s and have never been updated. CoN laws and associated rules must be updated to allow the program to be responsive to the needs and complexities of the current healthcare delivery system.

This request is for two additional FTEs to update and develop rules. Over the next six years, these staff will update existing rules as well as update and adopt into rule those standards not currently in rule.

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Program Contact: Office of Community Health Systems, Bart Eggen, (360) 236-2960

Narrative Justification and Impact Statement:

What specific performance outcomes does the agency expect?

CoN decisions on the development and expansion of healthcare services will be timely, consistent and predictable through clearer standards and numeric methodologies set in rule. Healthcare service providers will better understand the standards and be able to identify services needed by the communities they serve. By strengthening the healthcare delivery infrastructure, the department and healthcare service providers increase access to healthcare. The department will accomplish this by implementing the 2008 Quality Improvement Project recommendations and work plan with the following results:

- Develop and updates rules and 14 methodologies over three years.
- Establish a timely process for the routine review of CoN rules to maintain relevance with healthcare delivery.

Performance Measure Detail

Activity: A015 Patient and Consumer Safety

Is this Decision Package essential to implement a strategy identified in the agency's strategic plan?

This decision package supports Goal 3 in the 2014-2016 Department of Health Strategic Plan.

Goal 3: Improve access to quality, affordable and integrated healthcare for everyone in Washington.

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?

Yes, this decision package supports Results Washington Goal 4: Healthy and Safe Communities.

- Measure 1.2: Decrease percentage of adults reporting fair and poor health from 15 percent in 2011 to 14 percent by 2017.
- Measure 1.3.c: Increase percentage of residents who report that have a personal doctor or health care provider from 75 percent to 82 percent by 2016.
- Measure 3.2 Increase the percentage of supported seniors and individuals with a disability served in home and community-based settings from 86.6 percent to 87.2 percent by June 30, 2015.

What are the other important connections or impacts related to this proposal?

RCW 43.70.250 requires that professions, occupations, and business licensing programs be fully funded by the members of that profession, occupation or business.

What alternatives were explored by the agency and why was this alternative chosen?

The department could maintain the status quo, which would result in continued dissatisfaction with the program and the lengthy and litigious process CoN has become. This delays the development of new health care services and facilities.

The department could also propose to eliminate Certificate of Need. This would require statutory changes and could result in a short-term focus on profitability at the expense of long-term healthcare needs. Simply put, excess capacity in the form of empty hospital or nursing home beds and under-utilized services directly result in increasing the cost of medical care. When a health care facility cannot fill beds, operating costs must be met through higher charges to the beds that are used.

What are the consequences of adopting or not adopting this package?

Without additional funding from a fee increase, the program will be unable to update methodologies. Appeal rates will remain high, diverting staff time to the defense of prior decisions rather than new and timely decisions, and the resulting litigation costs will continue to strain the program’s budget. The program is already struggling to keep up with the current review workload and stay within statutory timelines.

What is the relationship, if any, to the state capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

CoN fees are in administrative rule, Chapter 246-310 WAC. The fee schedule will require updating.

Expenditure and revenue calculations and assumptions

Revenue:

The proposed fee increase affects the CoN program and includes a combination of increased fees with some new fees. The fee increase will support current services and allow the program to do necessary rulemaking. The department expects the fees to be effective by January 1, 2016.

Expenditures:

Starting on January 1, 2016 the department requests 2.0 FTE HSC3 and 1.0 FTE OA3 and associated costs to continue the rule development and implementation and administrative support. A total of 1.5 FTE in fiscal year 2106.

Ongoing costs starting in FY 2017 will support 2.0 FTE HSC3 and 1.0 FTE OA3 and associated costs to continue the rule development and implementation and administrative support. A total of 3.0 FTE in fiscal year 2017 and subsequent years.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All costs are ongoing.

For federal grants: Does this request require a maintenance of effort or state match?

No

For all other funding: Does this request fulfill a federal grant's maintenance of effort or match requirement?

N/A

| <u>Object Detail</u> | | <u>FY 2016</u> | <u>FY 2017</u> | <u>Total</u> |
|-----------------------------|-----------------------------|-----------------------|-----------------------|---------------------|
| A | Salaries and Wages | 100,000 | 199,000 | 299,000 |
| B | Employee Benefits | 30,000 | 60,000 | 90,000 |
| C | Personal Service Contracts | 0 | 0 | 0 |
| E | Goods and Services | 18,000 | 36,000 | 54,000 |
| G | Travel | 0 | 0 | 0 |
| J | Capital Outlays | 5,000 | 0 | 5,000 |
| T | Intra-Agency Reimbursements | 3,000 | 6,000 | 9,000 |
| | | | | |
| | Total Objects | 156,000 | 301,000 | 457,000 |