

Remarks of Thornton Kirby, South Carolina Hospital Association

Ad Hoc Committee on CON Reform

October 21, 2014

Chairman Smith and members of the committee, my name is Thornton Kirby and I'm President of the South Carolina Hospital Association. The Hospital Association represents 65 acute care hospitals and 27 specialized facilities including VA, psychiatric, long term acute care, and rehab hospitals.

SCHA believes an efficient and effective Certificate of Need program is vital for our state not only to protect and enhance patient care, but also to maintain a financially viable hospital safety net program.

Statutory and regulatory changes have been made to the CON program throughout its history. However, changes in the healthcare delivery system, constantly improving technology, and increased financial pressure from reduced federal reimbursement have created new challenges for hospitals with respect to the CON process. Like any regulatory system, continued improvement is always necessary. And we believe South Carolina's CON program needs to be reformed.

Since the end of the 2014 legislative session, SCHA has been surveying and meeting with our members in order to develop a unified position on CON reform. As noted during your initial meeting, the CON program is governed in three ways; by statute, by regulations, and by the state health plan. The recommendations I will present today are related to statutory changes. I believe these reflect a consensus of all of the hospitals in South Carolina.

On behalf of our members, SCHA recommends the following enhancements and efficiencies to the program:

Remove the CON requirement for the following items:

1. Adding new beds in an existing licensed acute care, rehab, and psychiatric hospital. This would only apply to additions that are within the existing footprint of the licensed facility.
2. Expanding a service for which CON has been previously awarded. For example, if a hospital wanted to add capacity to a service such as open heart surgery the hospital would not have get another CON in order to expand.

Both of these changes apply to facilities or services that have previously been through the formal CON review process and been awarded a CON. Because they have already received a CON, we do not believe further additions or expansions should require a CON review. However, we do recommend that those facilities undertaking these efforts be required to notify DHEC licensure of these changes so that the department can reflect those additions or expansions in their inventories.

3. SCHA also recommends removing the CON requirement for conversion of acute care beds to psychiatric beds with certain limitations.

Virtually every hospital in the state is holding psychiatric patients in the ED. There are not enough options available to hospitals trying to place these patients in more suitable settings. By allowing this conversion of acute beds, hospitals will be able to better address the mental health needs of the community and those patients seeking care in the ED for psychiatric services.

Equipment Threshold

SCHA endorses the recommendation by the DHEC board that the threshold for purchasing medical equipment to be used for diagnosis or treatment be eliminated. This would require a statutory change. However, there are other industries that do not support removal. If the equipment threshold is not removed, SCHA feels strongly that the threshold should be raised to at least \$2 million through regulation. We also believe that there should be a clarification of “like equipment”. Under the current

statute, a CON is not required when upgrading or replacing “like equipment”. Unfortunately, the interpretation of “like equipment” is not clear.

Capital Threshold

There is also a statutory requirement that certain capital expenditures obtain a CON. The dollar threshold is established through regulation at \$2 million and we recommend that it be increased to \$5 million and the list of exemptions be expanded. We also recommend that the threshold be indexed annually to the medical care consumer price index.

Home Health and Inpatient Hospice Care

With respect to home health services and in-patient hospice care, our members believe that those industries are best suited to make recommendations regarding how CON impacts them. The hospital industry does have an interest in these recommendations because healthcare is rapidly evolving and home health services and in-patient hospice care are changing the way services are delivered as they play a larger role in the continuum of care after patients are discharged from the hospital. New emphasis is being placed on alternatives for patients needing specific services. It is important that these two services be allowed to adapt in order to fit the evolving and growing patient need.

Streamlining the CON Process

SCHA also fully supports the recommendations previously outlined in Mr. Lee’s presentation related to streamlining the process. We agree that these changes will save time and significant dollars to all industries regulated by CON.

Mr. Chairman and members of the committee, again let me thank you for your time in exploring reforms that will enhance this critically important program. We stand ready to work with you to pass this legislation and modernize our state’s CON program.