



**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.*

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<b>Bill Number:</b>	S. 0164	Amended by the Senate on February 2, 2023
<b>Author:</b>	Climer	
<b>Subject:</b>	State Health Facility Licensure Act	
<b>Requestor:</b>	House Medical, Military, Public, and Municipal Affairs	
<b>RFA Analyst(s):</b>	Griffith and Boggs	
<b>Impact Date:</b>	April 20, 2023 - Updated for Additional Agency Response	

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### **Fiscal Impact Summary**

This bill eliminates the requirement of obtaining a Certificate of Need (CON) from the Department of Health and Environmental Control (DHEC), with the exception of nursing homes and ambulatory surgical facilities with more than eight operating rooms. Additionally, before acquiring a hospital facility, the bill requires the Medical University of South Carolina (MUSC) to submit details of the proposed acquisition to the Joint Bond Review Committee (JBRC), receive approval by the Fiscal Accountability Authority, and apply for a CON or licensure. Further, the bill creates the CON study committee to examine the effect of the repeal of the CON program in rural parts of the state.

The bill will have no expenditure impact on 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 will have no impact on the Department of Health and Human Services (DHHS), which houses the state's Medicaid program, because the bill does not include nursing homes. Therefore, the bill will not impact Medicaid provider rates or reimbursements.

This bill will have no expenditure impact on the Medical University of South Carolina (MUSC), as the institution indicates the additional requirements of the bill will be managed within existing resources.

This bill will have no expenditure impact on the Senate as the legislative body can manage costs for per diem, mileage, and subsistence for non-session days associated with the study committee within existing appropriations. We anticipate that the House of Representatives can also manage any expenses related to this bill within existing appropriations.

The bill is expected to reduce General Fund revenue by \$498,750 each year beginning in FY 2023-24 due to the partial 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 has been under \$750,000 historically, and all fee revenue has been allocated to the General Fund.

## Explanation of Fiscal Impact

**Updated for Additional Agency Response on April 20, 2023**

**Amended by the Senate on February 2, 2023**

### **State Expenditure**

This bill eliminates the requirement of obtaining a CON from DHEC, with the exception of nursing homes and ambulatory surgical facilities with more than eight operating rooms. Additionally, before acquiring a hospital facility, the bill requires MUSC to submit details of the proposed acquisition to the JBRC, receive approval by the Fiscal Accountability Authority, and apply for a CON or licensure.

Further, the bill creates the CON study committee to examine the effect of the repeal of the CON program in rural parts of the state. The committee is comprised of six members, three from the Senate appointed by the President of the Senate and three from the House of Representatives appointed by the Speaker of the House.

**Department of Health and Environmental Control.** DHEC indicates that based on past experience and estimates from other states, the elimination of the CON program for certain health care facilities will increase licensure applications from facilities, thereby increasing workload. In order to support the increased workload, DHEC will transition staff 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.** DHHS houses Healthy Connections, the state's Medicaid program. Since this bill does not include nursing homes, it will not impact Medicaid provider rates or reimbursements. Therefore, there will be no impact on the agency.

**Medical University of South Carolina.** This bill requires MUSC, before acquiring a hospital facility, to submit details of the proposed acquisition to the JBRC, receive approval by the Fiscal Accountability Authority, and apply for a CON or licensure. MUSC indicates that these requirements will be managed within the current resources of the institution. Therefore, there will be no expenditure impact on MUSC.

**House of Representatives and Senate.** The CON study committee includes three appointed members of the Senate and three appointed members of the House of Representatives. Each member will receive per diem of \$50, subsistence of \$223.17, and mileage of \$0.655 per mile for each meeting on non-session days. This bill will have no expenditure impact on the Senate as the legislative body can manage costs for per diem, mileage, and subsistence for non-session days associated with the study committee within existing appropriations. We anticipate that the House of Representatives can also manage any expenses related to this bill within existing appropriations.

### **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. Based upon the February 2, 2023, Board of Economic Advisors' forecast, fees for the CON program are expected to total approximately \$510,000 in FY 2023-24. DHEC reports that it collected an average of \$11,250 in fee revenue from health care facilities that will still be required to obtain a CON pursuant to the bill. Therefore, this bill is expected to reduce General Fund revenue by approximately \$498,750 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 has been under \$750,000 historically, and all fee revenue has been allocated to the General Fund.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Amended by the Senate on February 2, 2023**

**State Expenditure**

This bill eliminates the requirement of obtaining a CON from DHEC, with the exception of nursing homes and ambulatory surgical facilities with more than eight operating rooms. Additionally, before acquiring a hospital facility, the bill requires MUSC to submit details of the proposed acquisition to the JBRC, receive approval by the Fiscal Accountability Authority, and apply for a CON or licensure.

Further, the bill creates the CON study committee to examine the effect of the repeal of the CON program in rural parts of the state. The committee is comprised of six members, three from the Senate appointed by the President of the Senate and three from the House of Representatives appointed by the Speaker of the House.

**Department of Health and Environmental Control.** DHEC indicates that based on past experience and estimates from other states, the elimination of the CON program for certain health care facilities will increase licensure applications from facilities, thereby increasing workload. In order to support the increased workload, DHEC will transition staff 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.** The fiscal impact of the bill on DHHS is pending, contingent upon a response from the agency.

**Medical University of South Carolina.** The fiscal impact of the bill on MUSC is pending, contingent upon a response from the agency.

**House of Representatives and Senate.** The CON study committee includes three appointed members of the Senate and three appointed members of the House of Representatives. Each member will receive per diem of \$50, subsistence of \$223.17, and mileage of \$0.655 per mile for each meeting on non-session days. We anticipate that these legislative bodies will manage any

costs associated with the bill within their existing appropriations but are awaiting confirmation. Therefore, the bill is expected to have no fiscal impact on the House or the Senate.

**State Revenue**

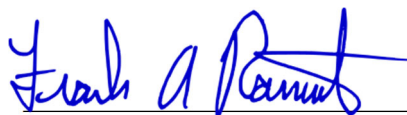
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**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director