

OFFICE OF FISCAL ANALYSIS

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sSB-440

AN ACT CONCERNING CERTIFICATES OF NEED.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Resources of the General Fund	GF - Revenue Loss	745,000	440,000
Office of Health Strategy	See Below - See Below	See Below	See Below
State Comptroller - Fringe Benefits ¹	See Below - See Below	See Below	See Below
Attorney General	GF - Cost	Significant	Significant

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill modifies the state's Certificate of Need (CON) program for health care entities, administered by the Office of Health Strategy's (OHS) Health Systems Planning Unit (HSPU), increasing the total expenditure of HSPU by \$745,000 in FY 25, and \$440,000 annually beginning in FY 26. Costs related to HSPU are deducted from an assessment on the various state hospitals' revenue before any remaining funds are deposited in the General Fund, ultimately resulting in a revenue loss to the General Fund beginning in FY 25.

Section 1 of the bill makes changes to what transactions require CON approval, and Section 2 affects various deadlines related to the CON

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.25% of payroll in FY 25.

process. The bill may result in a fiscal impact to the state associated with eliminating the CON process for certain service categories, until 6/30/30. The extent of the impact depends on the increased utilization and associated Medicaid payments where new exclusions are granted.

OHS will incur costs of approximately \$440,000 in salary and fringe benefits beginning in FY 25 for two full-time positions and two consultants with external medical expertise. The staff will be needed to conduct CON application reviews on an annual basis.

Additionally, OHS will incur a one-time cost of \$100,000 in FY 25 to hire a consultant to assist the department in developing the expedited review process.

Section 3 requires OHS to conduct a study on the state's CON process and report to the Public Health Committee by January 1, 2025. OHS will incur a one-time cost of \$200,000 in FY 25 to contract with an outside consultant because the department does not have the existing staff or resources to complete the study within the timeframe established under the bill.

Section 4 moves the responsibility of conducting Cost and Market Impact Reviews (CMIRs) to the Attorney General's Office from HSPU. OHS is still required to adopt regulations regarding the CMIR and administer certain provisions. There is no fiscal impact to OHS from this section.

The bill's provision transferring responsibility for conducting cost and market impact reviews for certain hospital ownership transfers would result in a significant cost to the Office of the Attorney General (OAG), as it is outside the usual scope of its expertise. It is anticipated that contracted services as well as potentially additional personnel would be required in the OAG to conduct the mandatory reviews as ownership transfers are proposed.

The Out Years

The annualized ongoing fiscal impact identified above would

continue into the future subject to inflation.