



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0164 Amended by the Senate on February 2, 2023
Author: Climer
Subject: State Health Facility Licensure Act
Requestor: House Medical, Military, Public, and Municipal Affairs
RFA Analyst(s): Griffith and Boggs
Impact Date: February 21, 2023

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 the Department of Health and Environmental Control (DHEC) because the agency will utilize current employees to support any increase in workloads that result from program changes outlined within the bill.

The fiscal impact of the bill on the Department of Health and Human Services (DHHS) and the Medical University of South Carolina (MUSC) is pending, contingent upon responses from the agencies.

We anticipate that the House of Representatives and the Senate will manage costs for per diem, mileage, and subsistence for non-session days associated with the study committee within existing appropriations but are awaiting confirmation from both legislative bodies.

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

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

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



Frank A. Rainwater, Executive Director