



Senate Fiscal Agency
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Senate Bills 12 (as reported without amendment)
Senate Bills 181 through 183 (as reported without amendment)
Senate Bill 190 (Substitute S-1 as reported)
Sponsor: Senator Dale W. Zorn (S.B. 12)
Senator Curtis S. VanderWall (S.B. 181 & 190)
Senator Lana Theis (S.B. 182)
Senator Michael D. MacDonald (S.B. 183)
Committee: Health Policy and Human Services

CONTENT

Senate Bill 12 would amend Part 222 (Certificate of Need) of the Public Health Code to modify the definition of "covered clinical service".

Senate Bill 181 would amend Part 222 to modify the definitions of "change in bed capacity", "covered capital expenditure", and "covered clinical service".

Senate Bill 182 would amend Part 222 to do the following:

- Increase the membership of the Certification of Need Commission to 13 and require the Commission to include two individuals representing the general public, one of whom would have to be from a county with a population of less than 40,000.
- Modify the requirements for members of the standard advisory committee appointed by the Commission.

Senate Bill 183 would amend the Public Health Code to delete a provision prohibiting a hospital from transferring more than 35% of its licensed beds to another hospital or freestanding surgical outpatient facility more than once if it is located in a city that has a population of 750,000 or more.

Senate Bill 190 (S-1) would amend the Mental Health Code to do the following:

- Require, as a condition of licensing, a psychiatric hospital or psychiatric unit to public patients and to maintain 50% of beds available to public patients.
- Beginning June 1, 2021, require a psychiatric hospital and psychiatric unit to submit an annual report to the Department of Health and Human Services (DHHS) as a part of the application for license renewal certain data related to total patient days of care provided and total beds available during the previous calendar year.
- Allow the DHHS to use the annual report data or a DHHS investigation to determine if a psychiatric hospital or psychiatric unit maintained 50% of beds available to public patients.

Senate Bills 181 through 183 are tie-barred to each other. Senate Bill 190 is tie-barred to Senate Bill 181.

MCL 333.22203 (S.B. 12)
333.22203 (S.B. 181)
333.22211 & 333.22215 (S.B. 182)
333.20145 et al. (S.B. 183)
330.1137 (S.B. 190)

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

Senate Bill 12 would exempt outpatient cardiac catheterization services from the certificate of need (CON) process. This exemption likely would lead to greater availability of and greater demand for those services. On the other hand, greater availability of services in an arguably less expensive setting could shift costs from more expensive providers. This ties to a general question in many CON discussions (related in particular to outpatient services) whether the greater availability and demand for less regulated services increases costs more than the shift of clients to a less expensive setting reduces costs. There is no consensus on this front. It is safe to say that the net change in cost for this kind of service likely would be marginal. As such, the bill would have an indeterminate marginal impact on Medicaid and public employee health insurance costs.

Senate Bill 181 would raise the certificate of need cap for clinical service projects from \$2.5 million to \$10.0 million. The bill also would exempt air ambulance services and specialized psychiatric programs for children and adolescents from the CON process. The bill would have minimal fiscal impact.

The increase in the cap would appear to have minimal fiscal impact as the CON process is focused on larger scale expansions and the cap would still exist for those expansions.

There is evidence from other states (such as an Iowa Attorney General's opinion) that the Federal Aviation Act regulates air ambulance services and bars states from implementing statutes overriding Federal law and regulation on aviation services. It appears that the intent of the air ambulance exemption is to bring State CON law in line with Federal law. As such the air ambulance change would not have a fiscal impact except for a small reduction in CON fee revenue.

Senate Bills 181 and 190 specify that the exemption for specialized psychiatric programs for children and adolescents and the requirement that a psychiatric hospital or psychiatric unit maintain 50% of available beds for public patients would clearly lead to an increase in the number of licensed psychiatric beds and thus make more beds available for Community Mental Health Services Program (CMHSP) clients. The costs of placing an individual in a private psychiatric hospital bed are paid by the CMHSP; however, the cost of that placement must be compared to the cost of providing services in the community. Shifting a person from community services to a private psychiatric bed likely would lead to a marginal increase in costs in the short term, but more intensive treatment would lead to lower long-term costs for services to many clients. Furthermore, the greater availability of private psychiatric beds for CMHSP clients could lead to the shifting of individuals from lengthy stays in more expensive State psychiatric facilities to shorter term placements in private beds, leading to a net savings. The research on those questions has not led to a definitive answer as to whether greater availability of private psychiatric beds increases or decreases net costs. As such, the fiscal impact of this provision is indeterminate but likely would not be significant.

The Department also would incur minor administrative costs to develop a form for the submission of data required under Senate Bill 190.

Senate Bills 182 and 183 would have no fiscal impact on State or local government.

Date Completed: 3-22-21

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Bill Analysis @ www.senate.michigan.gov/sfa

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.