



Senate Fiscal Agency  
P.O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 670 (as introduced 12-4-19)  
Sponsor: Senator Curtis S. VanderWall  
Committee: Health Policy and Human Services

Date Completed: 12-5-19

### **CONTENT**

**The bill would amend Part 222 (Certificate of Need) of the Public Health Code to do the following:**

- Provide that a certificate of need would not be required for a health facility required to be licensed under the Code as a hospital if the health facility were designated and certified as a critical access hospital under Federal regulations and was located outside of a 35-mile radius of another hospital.**
- Modify certain provisions related to a hospital seeking to relocate licensed beds.**

#### Certificate of Need; Critical Access Hospital

Under the Code, a person may not, among other things, acquire an existing health facility or begin operation of a health facility at a site that is not currently licensed without first obtaining a certificate of need. "Certificate of need" means a certificate issued under Part 222 authorizing a new health facility, a change in bed capacity, the initiation, replacement, or expansion of a covered clinical service, or a covered capital expenditure that is issued in accordance with Part 222. A certificate of need is not required for a reduction in licensed bed capacity or services at a licensed site.

Under the bill, a certificate of need also would not be required for a health facility required to be licensed under Part 215 (Hospitals) as a hospital if the health facility was designated and certified as a critical access hospital (CAH) under Federal regulations and was located outside of a 35-mile radius of another hospital. A health facility that met these requirements would have to provide notice to the Department of Licensing and Regulatory Affairs (LARA) if the health facility initiated, replaced, or expanded a covered clinical service listed in Section 22203(10) of the Code.

(Section 22203(10) defines "covered clinical service" as one or more of the following: a) the initiation or expansion of a neonatal intensive care services or special newborn nursing services, an open-heart surgery, or an extrarenal organ transplantation; b) the initiation, replacement, or expansion of an extracorporeal shock wave lithotripsy, a megavoltage radiation therapy, a positron emission tomography, certain surgical services, a cardiac catheterization, certain magnetic resonance imager services, certain tomography scanner services, or air ambulance services; c) the initiation or expansion of a specialized psychiatric program for children and adolescent patients utilizing licensed psychiatric beds; or d) the initiation, replacement, or expansion of a service not listed in this subsection, but designated as a covered clinical service by the Certificate of Need Commission under the Code.)

## Bed Relocation

Subject to certain provisions of the Code and if the relocation does not result in an increase in licensed beds within the health service area, a certificate of need is not required for the physical relocation of licensed beds from a hospital licensed under the Code to a freestanding surgical outpatient facility licensed under the Code if the facility satisfies certain criteria related to ownership, licensure, and services provided.

Before relocating the beds, the hospital seeking to relocate them must provide certain information requested by LARA. A hospital must transfer no more than 35% of its licensed beds to another hospital or freestanding surgical outpatient facility not more than one time if the hospital seeking to relocate its licensed beds or another hospital owned by, under common control of, or having as a common parent the hospital seeking to relocate its beds is located in a city that has a population of 750,000 or more. The bill would modify the population size from 750,000 to 600,000.

MCL 333.22209

Legislative Analyst: Tyler VanHuyse

## **FISCAL IMPACT**

The bill would exempt Federally designated critical access hospitals from the certificate of need process. Critical access hospitals must have 25 or fewer inpatient beds and generally must be at least 35 miles from another hospital. Because of the bed limitation, it would not appear that the exemption in the bill would lead to a significant increase in hospital beds. It could lead to greater availability of ancillary services such as magnetic resonance imaging (MRI).

The potential for more MRI machines being available could lead to a change in costs for Medicaid and for public employee health insurance. However, unlike in major metropolitan areas, the increased availability of those services at small hospitals located far away from large metropolitan areas would be unlikely to lead to a significant increase in demand for such services. As such, the potential cost increase for the State's Medicaid program as well as public employee health insurance would be very marginal.

Fiscal Analyst: Elizabeth Raczowski  
Steve Angelotti

SAS\S1920\s670sa

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.