

CERTIFICATE OF NEED PROGRAM

Commissioner William J. Streur

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Certificate of Need: General Overview

“Certificate of Need (CON) programs are aimed at restraining health care facility costs and allowing coordinated planning of new services and construction.”

- CON programs largely originated from federal requirements enacted in 1974
- The federal requirements were repealed in 1987
- As of Dec. 2011, about 36 states have CON programs
- Continued goal of CON Programs = Access to Care and Cost Containment

“When a hospital cannot fill its beds, fixed costs must be met through higher charges for the beds that are used.”

Certificate of Need: Program Parameters

CON is required for expenditures of \$1.45 million

- Construction of a health care facility
- Alteration of bed capacity
- Addition of a category of health services

Key Exceptions

- Relocation of ambulatory surgery centers
- Routine maintenance and replacement equipment
- Office of private physicians

Providers can request a formal determination to see if CON is required

- Old system required “Letter of Intent” for any CON activities
- Letter of intent requirement was repealed in August of 2005

Certificate of Need: Applications

Review of Application

- 6 General Review Standards
- Additional Service-Specific Review Standards

Timeline

- 60 days to submit staff analysis to Commissioner for decision
- 45 days for Commissioner to issue decision

Application Fee

- CON Activities \$2.5 million or less: \$2,500
- CON Activities over \$2.5 million: 0.1% of estimated cost, capped at \$75,000

Certificate of Need: Statistics of CON Activities

- 2013**
- 6 CON Applications (2 Approved; **2 Denied**; 2 In-Progress)
 - 4 Determinations
 - **Total CON Project Costs Considered: \$72 million**

- 2012**
- 1 CON Application (Approved)
 - 3 Determinations
 - **Total CON Project Costs Considered: \$22.8 million**

Denials prevented a projected **\$8 million** in new annual Medicaid liabilities

- 2011**
- 2 CON Application (1 Approved; **1 Denied**)
 - 2 Determinations
 - **Total CON Project Costs Considered: \$72.2 million**

- 2010**
- 5 CON Applications (3 Approved; **2 Denied**)
 - 7 Determinations
 - **Total CON Project Costs Considered: \$238 million**

Certificate of Need: Strengths v. Weaknesses

Strengths

- Prevents market saturation and unnecessary services
- Contains price inflation
- Prevents cherry picking of lucrative services
- Checks Medicaid spending
- Allows for a balanced system for service delivery

Weaknesses

- Enforcement in self determinations (product of “Letter of Intent” repeal)
- Collecting data from providers
- Staying current with data/statistics for the public

Certificate of Need: Opportunities v. Threats

Opportunities

- Capitalize on program to prevent substantial Medicaid liabilities
- Operate program as uniform check, NOT as invasive regulatory arm
- Develop variable CON threshold

Threats

- Lack of compliance from self determinations
- Ambulatory surgery centers building low, but relocating high
- Gradual development under CON threshold (i.e. shelled-in space)

Conclusion

In an industry with rapidly increasing health care costs, the CON program is a critical tool that

- PREVENTS unnecessary spending
- PREVENTS unnecessary services
- ENSURES that Alaska has a balanced health care system that delivers the right care, to the right person, at the right time, for the right price

Questions?