



**Colorado
Legislative
Council
Staff**

SB17-064

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0445
Prime Sponsor(s): Sen. Kefalas
Rep. Lontine

Date: February 6, 2017
Bill Status: Senate SVMA
Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: LICENSE FREESTANDING EMERGENCY DEPARTMENTS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019	FY 2019-2020	FY 2020-2021
State Revenue	<u>(\$13,750)</u>	<u>(\$13,750)</u>	<u>\$221,250</u>	<u>\$111,250</u>
Cash Funds	(13,750)	(13,750)	221,250	111,250
State Expenditures	<u>\$114,536</u>	<u>\$128,331</u>	<u>\$206,048</u>	<u>\$138,267</u>
General Fund	103,866	117,406	0	0
Cash Funds	0	0	140,024	93,390
Centrally Appropriated Costs	10,670	10,925	66,024	44,877
TABOR Impact	<u>(\$13,750)</u>	<u>(\$13,750)</u>	Not estimated.	Not estimated.
FTE Position Change	0.8 FTE	0.8 FTE	2.3 FTE	1.3 FTE
Appropriation Required: \$103,866 - Department of Public Health and Environment (FY 2017-18)				
Future Year Impacts: Ongoing state revenue and expenditure increase.				

Summary of Legislation

The bill requires freestanding emergency departments to be licensed under a newly created license type from the Colorado Department of Public Health and Environment (CDPHE) by July 1, 2019. Under current law, these facilities are licensed as community clinics with emergency centers. From the effective date of the bill until the required license date, no new freestanding emergency departments can be licensed under the new or existing license types, and facilities that meet the definition of freestanding emergency department and are currently licensed as a community clinic must comply with the additional financial and facility regulations until the new license type takes effect. The bill defines "freestanding emergency department" as a health facility that provides emergency and urgent care services and is either:

- independent from a hospital system, not attached to or contained within a hospital, and not operated by or affiliated with a hospital system; or
- affiliated with a hospital system and located off the hospital's main campus.

A freestanding emergency department must be able to triage patients upon intake to determine whether emergency or urgent care is needed, and if no medical emergency exists, the freestanding emergency department must be able to provide urgent care and bill patients at the lower urgent care rate. The bill requires the CDPHE to establish various rules for freestanding

emergency departments, including licensing; fees; staffing requirements; transfer and transportation protocols; location restrictions near critical access hospitals; and transparency requirements for facility fees, professional fees, and fees for ancillary services. Freestanding emergency departments must provide information on their websites that clearly states facility fees that may be charged and list health plans for which their services are covered as in- and out-of-network benefits.

State Revenue

The bill initially decreases cash fund revenue to the CDPHE by \$13,750 per year in FY 2017-18 and FY 2018-19 by establishing a moratorium on licensing new freestanding emergency departments through 2019. Then, following creation of the new license type, cash fund revenue will increase by \$221,250 in FY 2019-20 and \$111,250 in FY 2020-21. This revenue, which is collected in the General Licensure Cash Fund, is discussed below and summarized in Table 1.

Community clinic license fee. During the first two years, it is assumed that five clinics per year will not be able to obtain a license as a community clinic during the moratorium period and fee revenue of \$2,750 per new license will be lost. This will decrease revenue by \$13,750 in the first two years. In FY 2019-20 and FY 2020-21 it is estimated that 5 new community clinic licenses and 55 renewals of community clinic licenses will be foregone and these clinics will instead be licensed under the new freestanding emergency department license. This will reduce revenue by a total of \$81,250 per year.

Freestanding emergency department license fee. Once the new license type takes effect in 2019, CDPHE will collect \$302,500 in fee revenue in FY 2019-20 to license 55 freestanding emergency departments. The CPHE is estimated to charge \$5,500 for this new license. In FY 2020-21, it is estimated that another 5 initial licenses will be issued and 55 renewals, resulting in a total of \$192,500 in revenue from freestanding emergency room licenses.

Fee impact on individuals and business. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fee calculations will be set administratively by the CDPHE based on cash fund balance, estimated program costs, and the estimated number of licenses subject to the fee. Table 1 below identifies the fee impact of this bill.

Table 1. Fee Impact on Businesses					
Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
FY 2017-18					
Initial Community Clinic License	\$2,750	\$0	(\$2,750)	5	(\$13,750)
FY 2017-18 Total					(\$13,750)
FY 2018-19					
Initial Community Clinic License	\$2,750	\$0	(\$2,750)	5	(\$13,750)
FY 2018-19 Total					(\$13,750)

Table 1. Fee Impact on Businesses (Cont.)					
Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
FY 2019-20					
Initial Community Clinic License	\$2,750	\$0	(\$2,750)	5	(\$13,750)
Renewal Community Clinic License	1,350	0	(1,350)	50	(67,500)
Initial Freestanding Emergency department License	0	5,500	5,500	55	302,500
FY 2019-20 Total					\$221,250
FY 2020-21					
Initial Community Clinic License	\$2,750	\$0	(\$2,750)	5	(\$13,750)
Renewal Community Clinic License	1,350	0	(1,350)	50	(67,500)
Initial Freestanding Emergency department License	0	5,500	5,500	5	27,500
Renewal Freestanding Emergency department License	0	3,000	3,000	55	165,000
FY 2020-21 Total					\$111,250

TABOR Impact

Initially, this bill decreases state cash fund revenue from fees, which will decrease the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. The bill increases cash fund revenue starting in FY 2019-20, however this is beyond the current forecast period and the TABOR impact for these years has not been estimated.

State Expenditures

The bill increases costs in the CDPHE by the following amounts:

- \$114,536 and 0.8 FTE in FY 2017-18;
- \$128,331 and 0.8 FTE in FY 2018-19;
- \$206,048 and 2.3 FTE in FY 2019-20; and
- \$138,267 and 1.6 FTE in FY 2020-21.

These costs in the CDPHE are paid from the General Fund in the first two years, and then from the General Licensure Cash Fund beginning in FY 2019-20 once the new licensing program is established. These costs are summarized in Table 2 and discussed below.

Table 2. Expenditures Under SB 17-064				
Cost Components	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Personal Services	\$46,903	\$49,696	\$130,926	\$90,765
FTE	0.8 FTE	0.8 FTE	2.3 FTE	1.6 FTE
Operating Expenses and Capital Outlay Costs	5,463	760	6,888	1,520
Computer System Modifications	51,500	66,950	0	0
Travel Costs	0	0	2,210	1,105
Centrally Appropriated Costs*	10,670	10,925	66,024	44,877
TOTAL	\$114,536	\$128,331	\$206,048	\$138,267

* Centrally appropriated costs are not included in the bill's appropriation.

Assumptions. The fiscal note costs assumes the following:

- inspections of freestanding emergency departments will replace the existing community clinic inspections that occur under current law starting in FY 2019-20;
- there are currently 5 initial community clinic inspections and 15 community clinic renewal inspections annually;
- 55 freestanding emergency departments will require an initial licensing inspection in FY 2019-20;
- freestanding emergency departments will undergo a reinspection once every three years, with renewal inspections beginning in FY 2020-21 according to a staggered schedule of new licenses from the prior year;
- community clinics require 67 hours for an initial inspection and 84 hours for a reinspection;
- freestanding emergency departments require 64 hours for an initial inspection and 94 hours for a reinspection;
- health facility complaints regarding freestanding emergency departments will double under the bill, from about 36 per year to 72 per year starting in FY 2019-20, and health related complaints require on average 65 hours of staff time to process and investigate; and
- 50 finance-related complaints will be received every year and each complaint will require 15 hours of staff time to investigate starting in FY 2017-18.

The increase in complaints are assumed based on new health- and finance-related regulations governing freestanding emergency departments both before and after the new license type takes effect.

Personal services. In the first two years only, the CDPHE requires 0.5 FTE for policy staff to establish program rules and procedures for the new freestanding emergency department license. In addition, 0.3 FTE is require to handle workload related to financial complaints. Therefore, 0.8 FTE is required in FY 2017-18 and FY 2018-19.

Once the licensing of freestanding emergency departments starts in FY 2019-20, the CDPHE will require staff to conduct licensing inspections for all facilities seeking an initial license. Afer accounting for the current workload spent on renewal inspections of community clinics under current law, the bill will increase health inspection workload by 0.9 FTE in FY 2019-20 and 0.1 FTE in FY 2020-21. In addition, health- and finance-related complaints will require an additional 1.5 FTE per year starting in FY 2019-20. Therefore, staffing will increase by a total of 2.4 FTE in FY 2019-20 and 1.6 FTE in FY 2020-21 and future years. The costs for these staff, as well as standard operating and capital outlay expenses, are shown in Table 2, above.

Computer system modifications. To create the new license type and track required information about free-standing emergency departments, the CDPHE requires \$51,500 in FY 2017-18 and \$66,950 in FY 2018-19 to make computer system modifications to its licensing and data system. This cost is based on a total of 1,150 hours of computer programming at a rate of \$103 per hour, divided between the two years.

Travel. Travel costs to conduct facility inspections will increase by \$2,210 in FY 2019-20 and \$1,105 in FY 2020-21. These costs are based on hotel, staff per diem, and fleet vehicle mileage costs for 10 overnight trips in FY 2019-20 and 5 overnight trips in FY 2020-21.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 3.

Cost Components	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$6,467	\$6,472	\$18,586	\$12,929
Supplemental Employee Retirement Payments	4,203	4,453	11,732	8,133
Indirect Costs	0	0	35,706	23,815
TOTAL	\$10,670	\$10,925	\$66,024	\$44,877

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2017-18, the CDPHE requires a General Fund appropriation of \$103,866 and an allocation of 0.8 FTE. Of this amount, the Office of Information Technology requires \$51,500 in reappropriated funds.

State and Local Government Contacts

Counties	Health Care Policy and Financing
Information Technology	Law
Municipalities	Public Health and Environment
Regulatory Agencies	