

**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



**Special Report:
State Spending on Regional
Health Planning Agencies**

**JLARC Staff Briefing
Aris Bearse
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Introduction

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Presentation Outline

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- Introduction and Summary of Findings**
- Overview of Certificate of Public Need Program and the Regional Health Planning Agencies**
- Options For Reducing State Spending**

Study Mandate

- **In July 2002, the Commission approved a list of priorities for the Special Study on Options for Controlling and Reducing State Spending**
- **One priority identified was to determine whether the health planning agencies continue to play an essential role in health planning in the Commonwealth**

Study Issues

- **Are the services of the health planning agencies (HPAs) duplicative of services being performed by the Virginia Department of Health?**
- **To what extent is the local input provided by HPAs necessary in administering the Certificate of Public Need (COPN) program?**
- **Do the HPAs review COPN applications in a fair and equitable manner?**
- **What are the advantages and disadvantages of eliminating the HPAs?**

Research Activities

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- **Structured interviews with:**
 - **Virginia Department of Health staff**
 - **Health planning agencies staff**
 - **Staff in selected other states**
 - **Staff associated with health provider interest groups**

- **Analysis of COPN application data**

- **Analysis of VDH and HPA budgets**

- **Document reviews**

Summary of Findings

- **The health planning agencies (HPAs) and the Division of Certificate of Public Need (DCOPN) each provide valuable information to the State Health Commissioner for making decisions on the approval or denial of certificates**
- **Some work performed by the HPAs is duplicative of work performed by VDH**
- **Some duplication in the COPN process is beneficial and may result in better outcomes**

Summary of Findings

(continued)

- **Elimination of the HPAs could result in a loss of local input in the COPN process, reduce the extent of regional health planning currently being conducted, diminish health provider participation in the process, and remove a valuable source of information for the State Health Commissioner**
- **Collaboration on COPN application reviews between the HPAs and the VDH could result in savings of between 25% to 40% in the process**
- **The State could save approximately \$76,200 per year by requiring collaborative reviews of COPN applications**

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Origin of Certificate of Public Need Program

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- **Virginia COPN program began in 1973 -- one year prior to a federal law requiring states to have a certificate of need program**

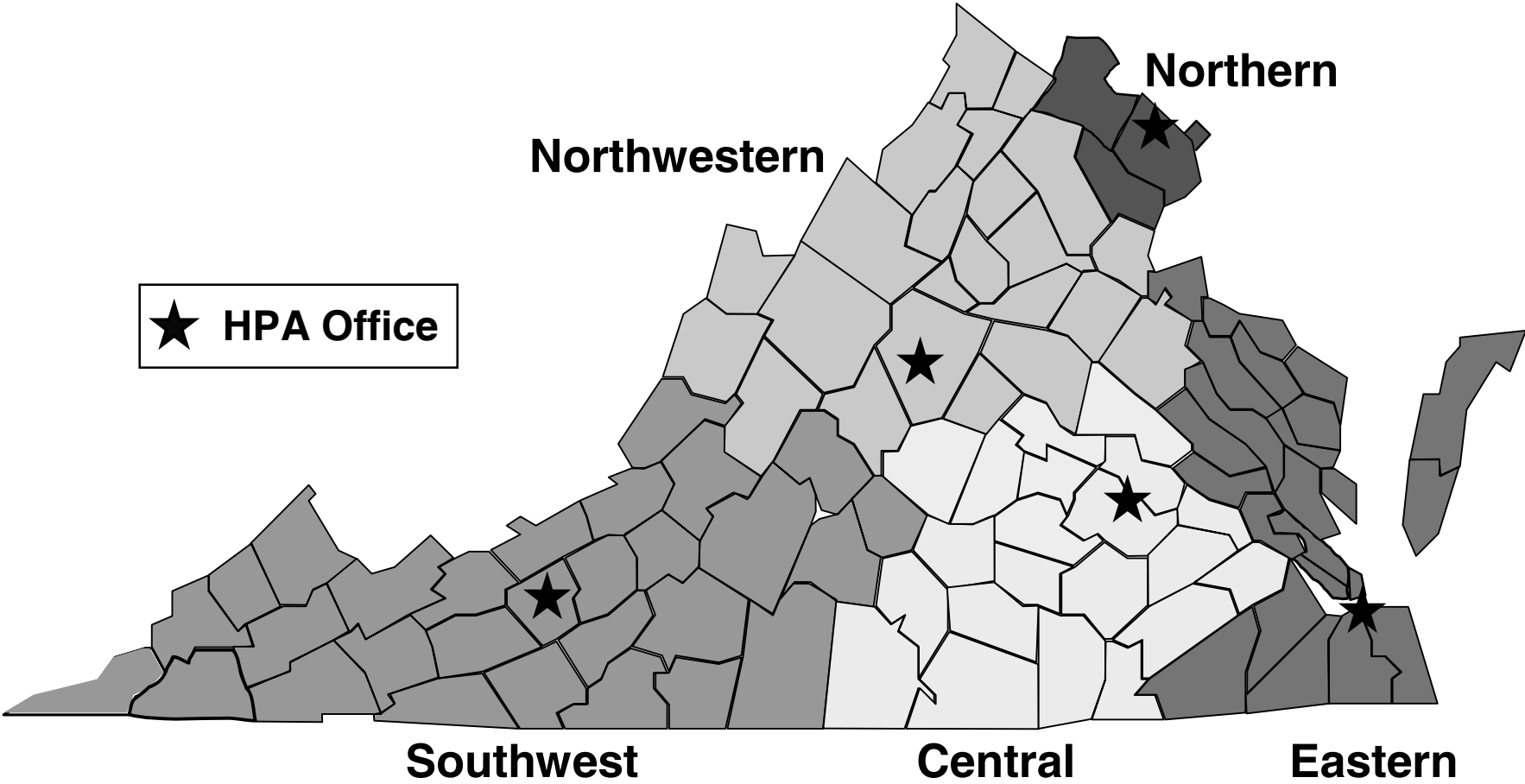
- **The COPN program was created to:**
 - **Promote comprehensive health planning to meet the needs of the public**
 - **Promote the highest quality of care at the lowest possible cost**
 - **Avoid unnecessary duplication of medical care facilities**
 - **Provide an orderly procedure for resolving questions concerning the need to construct or modify medical facilities**

Origin of Regional Health Planning Agencies

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- **With enactment of COPN legislation, five regional HPAs were designated to assist the State Health Commissioner in making determinations of need**
- **HPAs are non-profit organizations governed by volunteer boards consisting of healthcare consumers and providers, local government representatives, and members from the business and academic communities**
- **Full-time professional health planners staff each of the HPA boards**

Health Planning Regions in Virginia



Responsibilities of Regional Health Planning Agencies

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■ Responsibilities include:

- Reviewing applications for COPN and making recommendations to the Commissioner of Health
- Conducting data collection, research, and analyses
- Preparing reports and studies in consultation with the Board of Health
- Conducting needs assessments and serving as a technical resource to the Board of Health
- Identifying gaps in services, inappropriate use of services or resources, and assessing accessibility of critical services
- Conducting such other functions as directed by the regional health planning boards

Health Planning Agency Revenues and Staffing

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- In FY 2002, the HPAs received general fund appropriations of \$651,951 and COPN application fee revenues of \$481,939
- General Fund appropriations fell to \$403,687 in FY 2003 and \$333,072 in FY 2004
- The HPAs also received local government appropriations totaling \$182,100 (mostly in Northern Virginia)
- The HPAs employ 10 full-time staff persons plus several part-time staff persons

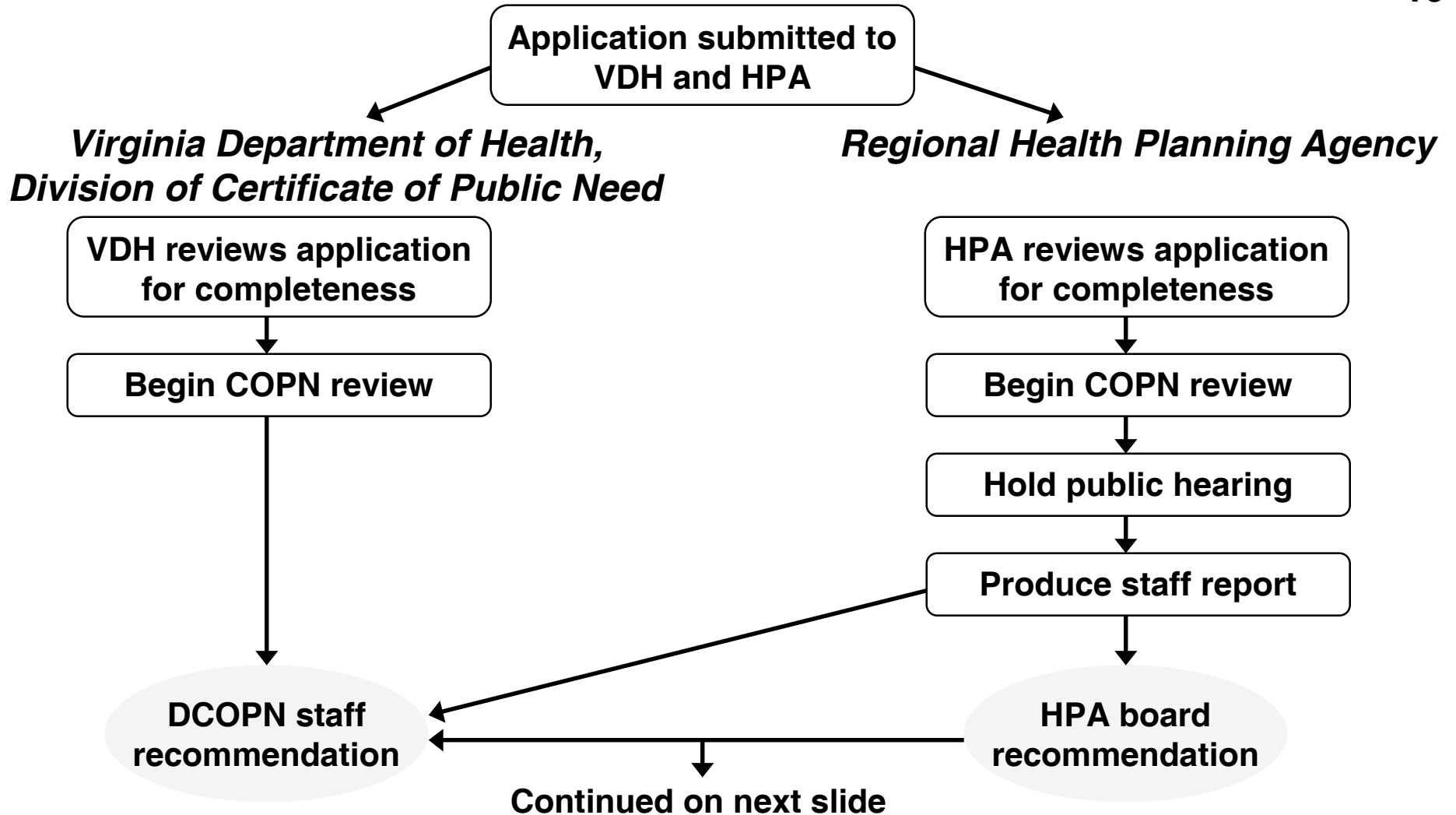
COPN Application Review Process

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- **COPN legislation requires healthcare providers to obtain a certificate from the State Health Commissioner prior to initiating a new medical facility, or prior to replacing or expanding an existing facility**
- **For each application, VDH staff and the regional HPA provide independent recommendations to the commissioner**
- **The *Code of Virginia* specifies 20 criteria for determining if a public need for the facility exists**
 - **The first criterion is the recommendation of the HPA**

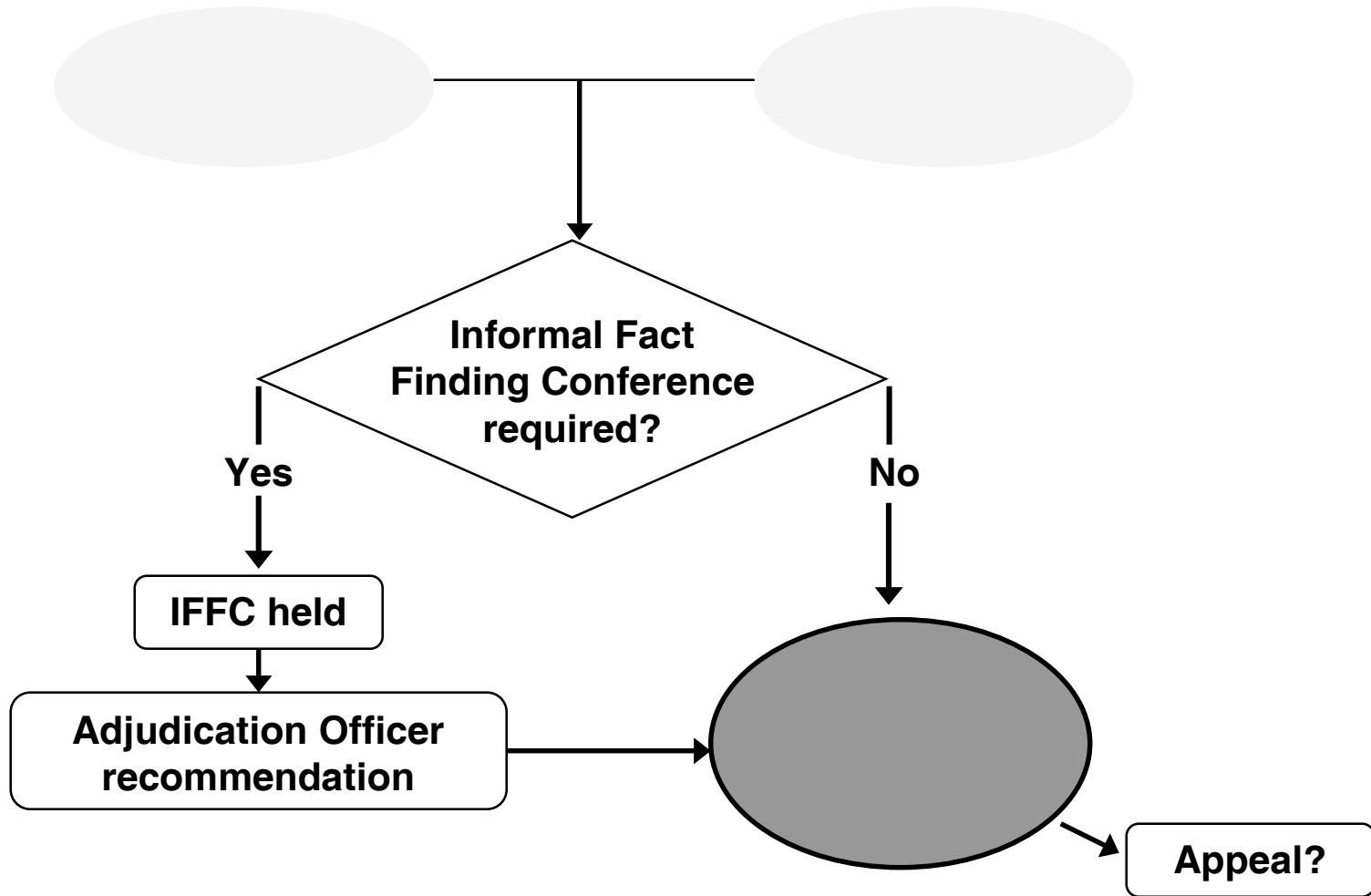
COPN Application Review Process

(continued)



COPN Application Review Process

(continued)



COPN Application Reviews 2000-2002

HPA	Approved	Denied	Total	% Agreement with DCOPN
Central	32	5	37	65%
Eastern	61	13	74	84%
Northern	55	6	61	84%
Northwestern	56	0	56	96%
Southwest	53	1	54	81%
<i>Total</i>	<i>257</i>	<i>25</i>	<i>282</i>	<i>83%</i>

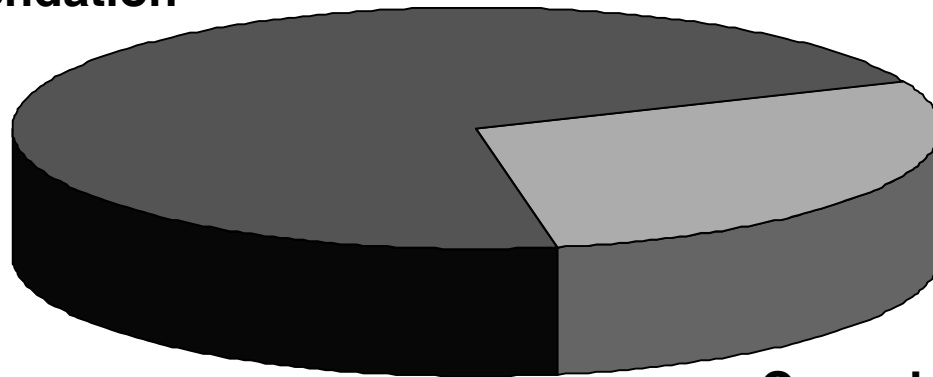
Source: Virginia Department of Health

Commissioner Decisions After Disagreement (2000-2002)

Total = 42*

Commissioner agreed with
HPA recommendation

71% (30)



Commissioner agreed with
DCOPN recommendation

29% (12)

* 5 decisions still pending at time of data submission

Source: Virginia Department of Health.

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Some Duplication Exists in COPN Process

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- **The regional HPA and DCOPN each review COPN applications according to same criteria**
 - **Each agency uses similar methods to assess public need and access to services**
 - **Agencies procure the majority of their data from the same sources**

- **Informal fact finding conference (IFFC) requires additional review application**

Some Duplication Is Beneficial

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- **Dual Review provides for system of checks and balances to reduce errors and uncover problems with applications**
- **Dual review enables inclusion of both State and local perspectives**
- **Commissioner receives a broad base of information prior to issuing a decision on a COPN application**

Some Work Performed by HPAs Is Not Duplicative

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- **HPAs provide forum for public hearing to enable local citizens and affected parties to express their opinions on applications**
- **Due to their geographic proximity, HPAs conduct the majority of site visits to healthcare providers**
- **HPAs consult with providers prior to applications being submitted**
 - **Proposals may be modified to better meet public need**
 - **Frivolous applications are discouraged**

Option 1: Maintain Status Quo

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- Regional HPAs and DCOPN continue to conduct independent reviews of each COPN application

Advantages

- Maintain system of checks and balances
- Maintain statewide and local perspectives
- Maintain broad base of information for commissioner

Disadvantages

- Duplicative review process
- Impractical to continue at projected funding levels

- Estimated savings in FY 2004: \$0

Option 2: Eliminate HPA Participation in Review Process

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- DCOPN staff conduct sole reviews of COPN applications and conduct public hearings in the absence of the HPAs

Advantages

- Reduce duplication and streamline process
- Reduce cost
- Reduce number of IFFCs required

Disadvantages

- Reduce local input and analysis
- Reduce local health planning initiatives
- Reduce healthcare provider buy-in
- Commissioner decisions based on less information

- Estimated savings in FY 2004: \$452,800

Option 3: Establish Collaborative Review Process

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- HPA and DCOPN staff work collaboratively on COPN applications, with one agency taking the lead on certain criteria and the other taking the lead on remaining criteria

Advantages

- Reduce duplication and streamline process
- More comprehensive review
- Reduce number of IFFCs required
- Reduce cost

Disadvantages

- May reduce checks and balances inherent in current system
- Possible difficulties in implementation
- Possible loss of independence in recommendations

- Estimated savings in FY 2004: \$76,200

Option 4: Minimize DCOPN Role in Review Process

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- DCOPN staff act in a supervisory role and rely on the HPAs for original analysis of COPN applications

Advantages

- Reduce duplication and streamline process
- Reduce cost

Disadvantages

- Reduce statewide consistency
- Commissioner decisions based on less information

- Estimated savings in FY 2004: \$111,400

Collaborative Review Option Appears to Be Best Alternative

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- **HPAs and DCOPN would continue to provide valuable, broad information to the commissioner on decisions affecting large capital expenditures on medical facilities (\$684 million in FY 02)**
- **DCOPN and HPA staff agree that collaborative reviews should save time while resulting in more comprehensive reviews**
- **Disadvantages associated with this option may be overcome with minimal effort**
- **Savings resulting from this option may enable HPAs to continue operations despite recent reductions in State allocations**

Recommendations

- *The General Assembly may wish to continue the role of regional health planning agencies in the certificate of public need program.*
- *The Virginia Department of Health and the regional health planning agencies should collaborate on certificate of public need application reviews.*