


Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: November 1, 2018

SUBJECT: Fiscal Impact Statement – East End Health Equity Act of 2018

REFERENCE: Bill 22-959, Committee Print as shared with the Office of Revenue
Analysis on October 19, 2018

Conclusion

Funds are not sufficient in the fiscal year 2019 through 2022 budget and financial plan to implement the bill. The bill will cost \$600,000 in fiscal year 2019.

Background

All persons proposing to offer or develop new institutional health service or obligate capital expenditures for a medical or health asset are required to apply for a Certificate of Need (CON) from the Department of Health's State Health Planning and Development Agency (SHPDA). A CON demonstrates a public need for the new health service, facility or expenditure.

The bill exempts¹ several proposed health care projects in the District of Columbia from the CON process. These projects include:

- The development, construction, equipment acquisition, and operation of a new community hospital (East End Hospital) by the District of Columbia on the St. Elizabeths campus and operated by George Washington University (GWU) Hospital
- The construction, equipment acquisition, and operation by GWU Hospital of a new bed tower on or adjacent to the existing GWU Hospital campus provided, that 120 days before initiating construction SHPDA and the Council are provided with:
 - A comprehensive list of all clinically related services to be provided in the new bed tower, including alcohol, drug abuse, and mental health services and whether the services are new and not currently provided at the existing GWU Hospital; and,

¹ By amending Section 8(b) of the Health Services Planning Program Re-Establishment Act of 1996, effective April 9, 1997 (D.C. Law 11-191; D.C. Official Code § 44-407)

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- The number of services that are expected to be furnished annually on both an in-patient and out-patient basis by the new bed tower.
- The construction, equipment acquisition, and operation by GWU Hospital of comprehensive urgent care and ambulatory facilities in Wards 7 and 8
- The construction, equipment acquisition, and operation by BridgePoint of a skilled nursing facility at 4601 Martin Luther King Jr. Ave, SW.

The CON exemptions for the East End Hospital, GWU Hospital tower, and GWU Hospital urgent and ambulatory care facilities are not applicable until the final definitive agreement between GWU Hospital and the District Government is executed. This agreement must include requirements to:

- Increase the minimum licensed beds for the East End Hospital from 106-125 beds to 150 licensed beds;
- Ensure that the East End Hospital is affiliated and integrated within the GWU Hospital system;
- Design and construct the East End Hospital with sufficient shell space to increase the size of the hospital by an additional 50 licensed beds;
- Construct the East End Hospital through a Project Labor Agreement;
- Ensure the District Government retains ownership of the land the East End Hospital is built upon;
- Ensure the District Government retains ownership of the East End Hospital building;² and,
- Provide a detailed workforce development plan between the District Government and GWU Hospital.

The East End Hospital, GWU Hospital tower, and GWU Hospital urgent and ambulatory care facility projects can move forward simultaneously, but the licensed bed expansion at GWU Hospital can only occur after the East End Hospital opens.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2019 through 2022 budget and financial plan to implement the bill. The bill will cost \$600,000 in fiscal year 2019.

CON applicants must pay an application fee of three percent of the proposed capital expenditure. Fees range from a minimum \$5,000 to a maximum \$300,000 per applicant³. CON fee revenue is collected and deposited into a non-lapsing State Health Planning and Development Fund (Fund)⁴ which is used to cover the annual salary and operating expenses of SHPDA.

The new East End Hospital and the BridgePoint skilled nursing facility will both qualify for the maximum \$300,000 application fee since the projects are projected to cost more than \$10 million each. Since the bill exempts these projects from the CON process, SHPDA will forgo collecting \$600,000 in special purpose revenue in fiscal year 2019. To ensure that SHPDA can meet its annual budgetary obligations, the agency will need additional funding to offset the lost revenue from exempting the East End Hospital and BridgePoint skilled nursing facility from the CON process.

² Unless it is purchased by GWU Hospital, for fair-market value pursuant to the terms of the definitive agreement to be negotiated and executed between the District and GWU Hospital.

³ If the facility is built by the same entity that will operate the hospital, a \$4 per admission fee may apply in lieu of the three percent capital expenditure fee.

⁴ D.C. Official Code § 44-420.01.

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The GWU Hospital tower and GWU urgent and ambulatory care facilities in Wards 7 and 8 may both qualify for a \$4 per admission user fee that is collected annually in lieu of the CON application fee. If that is the case, SHPDA will not lose revenue from exempting these projects from the CON process

At this time, GWU Hospital and the District Government have yet to sign a final agreement on the terms of constructing and operating a new East End Hospital. SHPDA revenue losses could increase or decrease depending on the final terms of the definitive agreement. The Office of Revenue Analysis will update this fiscal impact statement if the terms of the agreement change the amount of forgone CON application fee revenue.