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

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Vincent C. Gray** **Chairman, Council of the District of Columbia**
FROM:	**Natwar M. Gandhi** **Chief Financial Officer**
DATE:	**October 28, 2010**
SUBJECT:	**Fiscal Impact Statement – "Health Services Planning Program Re-establishment Act Emergency Amendment Act of 2010"**
REFERENCE:	**Draft Legislation—No Bill Number Available**

Conclusion

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation.

Background

The proposed legislation would amend Health Services Planning Program Re-establishment Act of 1996[1] to exempt the Vital Management Team (VMT), with regards to its acquisition of the JB Johnson Nursing Center ("JB Johnson"), from the Certificate of Need (CON) [2] requirements.

VMT currently operates JB Johnson under a management contract with the Office of Contracting and Procurement on behalf of the District of Columbia Office on Aging. However, on November 20, 2010, this contract will end and VMT will enter into a long-term ground lease agreement with the Department of Real Estate Services for the facility. Under current law, VMT needs to fulfill the CON requirements before the transfer is allowed to take place. The proposed legislation would exempt them from this requirement.

---

[1] Effective April 9, 1997 (D.C. Law 11-191; D.C. Official Code § 44-407(b)).

[2] Certificates of Need allow health care providers to establish new services, make certain capital expenditures, or take certain other actions as specified in D.C. Law 11-191, the Health Services Planning Program Re-establishment Act of 1996, and the Certificate of Need Regulations (Chapter 40 (Certificates of Need) of Title 22B (Public Health and Medicine) of the DC Municipal Regulations). CON applications are reviewed by the District of Columbia State Health Planning and Development Agency, which is under the Department of Health.

It should be noted that JB Johnson has been exempted from the CON requirements *in practice*, as it was given to the District by the federal government before the CON requirements existed. Thus, this bill would codify current practices.

Financial Plan Impact

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. Exempting JB Johnson from the CON requirements would result in the State Health Planning and Development Agency (SHPDA) forgoing the associated CON application fee[3]; however, it would also result in SHPDA not having to review the CON application or expend any other resources related to the CON process. Moreover, SHPDA was not expecting to receive this fee since the practice has been to exempt JB Johnson from the CON requirements. There is no fiscal impact.

[3] The OCFO estimates the application fee for JB Johnson to be approximately $45,000. This estimate is based on an understanding that the CON fee is 3 percent of the capital expenditure required to complete the transaction. With the transfer of ownership, the capital expenditure is the market value of the asset being transferred. This fee would have been deposited into the Department of Health State Health Planning and Development Fund in FY 2011.