

# OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200  
Hartford, CT 06106 ◊ (860) 240-0200  
<http://www.cga.ct.gov/ofa>

sHB-5045

AN ACT STREAMLINING HEALTH CARE FACILITY APPROVALS.

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Office of Health Strategy	GF - Transfer from	2,029,146	None
Public Health, Dept.	GF - Transfer to	2,029,146	None
Office of Health Strategy	IF - Transfer from	784,018	None
Public Health, Dept.	IF - Transfer to	784,018	None
Public Health, Dept.	GF - Revenue Loss	50,000	100,000
Public Health, Dept.	GF - Potential Revenue Gain	See Below	See Below
UConn Health Ctr.	OF - Potential Cost	See Below	See Below
UConn Health Ctr.	OF - Savings	See Below	See Below

Note: GF=General Fund; IF=Insurance Fund; OF=UConn Health Operating Funds

**Municipal Impact:** None

### **Explanation**

The bill makes various changes to the Certificate of Need (CON) process, resulting in the fiscal impacts described below.

**Sections 2, 3, and 13** transfer the Certificate of Need (CON) program operations from the Office of Health Strategy to a new CON unit in the Department of Public Health (DPH), resulting in FY 27 transfers of: (1) General Fund funding of \$2,029,146 and 19 supported positions; and (2) Insurance Fund funding of \$784,018 and four supported positions. This

unit will support a new CON panel,<sup>1</sup> placed within DPH for administrative purposes only, that will make final decisions on CON-related determinations.

**Section 5** results in a potential savings to the UConn Health Center, beginning in FY 27, by capping consultant costs<sup>2</sup> incurred during certain kinds of CON review. Savings will vary to the extent that these consultant costs currently exceed the bill's cap.

**Section 9** results in a potential cost of up to \$250,000<sup>3</sup> to the UConn Health Center to the extent that it must conduct a cost and market impact review under the Certificate of Need (CON) process. The bill lowers the net patient revenue threshold, from above \$1.5 billion in FY 13 to above \$1.0 billion in FY 25, that requires hospitals to conduct such reviews during the CON process, for certain transactions. UConn Health's net patient revenue in FY 26 is estimated to be \$1.2 billion.

**Section 10** increases the maximum CON enforcement civil penalty to \$5,000 per day of non-compliance (compared to \$1,000 per day under current law), resulting in a potential revenue gain to the General Fund beginning in FY 27. The extent of the revenue gain, if any, is dependent on the number of violations and the CON panel's discretion regarding civil penalties.

**Sections 9 and 10** also allow the Office of the Attorney General (OAG) to conduct investigations or take action on a transfer of ownership of a hospital, resulting in no fiscal impact to the state because the OAG has the expertise to meet the requirements of the bill. These sections also make various conforming changes regarding the OAG which result in no fiscal impact.

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<sup>1</sup> The panel consists of the DPH and Department of Social Services commissioners and the Office of Policy and Management secretary (or their designees), with the DPH commissioner or their designee serving as the panel's chair.

<sup>2</sup> The bill limits fees charged to the applicant for consultancy services to \$200,000 per application (current law has no cap except that the fee be reasonable).

<sup>3</sup> The bill increases the maximum billable amount per application that requires a cost and market impact review to \$250,000 (compared to \$200,000 under current law).

**Section 16** eliminates CON application fees for any proposal filed after December 31, 2026, resulting in a General Fund revenue loss<sup>4</sup> of an estimated \$50,000 in FY 27 and \$100,000 annually thereafter. The current CON application fees range from \$1,000 (involving a project cost of \$50,000 or less) to \$10,000 (for a project cost exceeding \$10 million). The CON fee elimination additionally results in a savings to UConn Health. The extent and timing of the savings is dependent on the fee that would otherwise have been charged for a CON application and when UConn Health applies for a CON.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to: (1) the frequency of cost and market impact reviews UConn Health conducts; (2) the frequency and project cost of UConn Health CON applications; and (3) the frequency of CON violations and the penalties imposed.

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<sup>4</sup> CON application fee revenues were \$95,300 in FY 24 and \$105,000 in FY 25. Annual fee revenues are dependent on the number of applications filed per year and the estimated project cost.