

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document

No. 1474

S. P. 477

In Senate, March 28, 1979

Referred to the Committee on Health and Institutional Services. Sent down for concurrence and ordered printed.

Presented by Senator Najarian of Cumberland.

MAY M. ROSS, Secretary of the Senate

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-NINE

AN ACT to Place an Annual Limit on Capital Expenditures Approved in Accordance with the Provisions of the Maine Certificate of Need Act of 1978.

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 22 MRSA § 307, sub-§ 3, as enacted by PL 1977, c. 687, § 1, is repealed and the following enacted in its place:

3. Reviews. The Department of Human Services, in consultation with the Health Systems Agency shall establish procedures to receive and review all applications, which shall assure that all appropriate applications, subject to the referenced limitation in this section, shall have equal opportunity for consideration with respect to approvals to be granted up to the maximum limit imposed by the referenced limitation. The procedures shall provide that all applications subject to review shall be received and accepted as complete within 3 months of the beginning of the fiscal year for which a limitation shall apply in order to have an opportunity to be considered with respect to the applicable limitation. The department, to the extent practicable, shall make its decision to approve or disapprove each proposal subject to review within 9 months of the date on which the application is accepted as complete.

Sec. 2. 22 MRSA § 307, sub-§ 4, as enacted by PL 1977, c. 687, § 1, is repealed and the following enacted in its place:

4. Review by Health Systems Agency. The Health Systems Agency shall be entitled to review all applications for a certificate of need and shall have 7 months of the allotted time for a review in which to submit its recommendations and comments to the department, unless it consents in writing to a shorter period of time.

Sec. 3. 22 MRSA § 307, sub-§ 6, as enacted by PL 1977, c. 687, § 1, is repealed.

Sec. 4. 22 MRSA § 323 is enacted to read:

§ 323. Annual limit on approved capital expenditures

During the 12-month period commencing October 1, 1979, the capital expenditures approved by the department in accordance with the provisions of this chapter shall not exceed a total of \$15,000,000. The capital expenditures approved by the department during each succeeding 12-month period shall not exceed an amount which has been established by the department prior to the commencement of that period and reflects only changes in construction costs since the establishment of the last such annual limit.

For the purposes of this section, the department may, at its discretion, exclude capital expenditures associated with projects for which it has granted an emergency certificate of need determining the total capital expenditures it has approved during a given 12-month period.

STATEMENT OF FACT

Capital investments in the development of new and improved health care facilities have been a significant factor in the rapid escalation of the cost of health care services. Capital expenditures made by or on behalf of health care facilities during one year substantially affect their operating expenses during subsequent years. As part of its effort to slow the rate of increase in the cost of health care services, the Carter administration has publicly requested state health planning and development agencies to limit their approvals of capital expenditures to approximately 67% of the level during 1976 and 1977, adjusted for 1979 construction costs.

The Maine Certificate of Need Act of 1978 requires each health care facility to obtain a certificate of need from the Department of Human Services before making certain capital expenditures. The department is authorized to deny a health care facility a certificate of need whenever it determines that a proposed capital expenditure is unnecessary or would have an unreasonable impact on the cost of health care services. However, the department is not given any guidance regarding the total capital investment which can be considered reasonable in a single year. This bill provides that guidance in a manner which is generally consistent with the Carter administration's request.

During the period beginning October 1, 1976, and ending September 30, 1978, the Department of Human Services approved a total capital investment by or on

behalf of health care facilities of approximately \$35,000,000. The proposed limit of \$15,000,000 during the year beginning October 1, 1979, represents approximately 67% of the average annual investment approved by the department, adjusted for 1979 construction costs. The department would be empowered to raise the proposed limit in 1980 and succeeding years to reflect changes in construction costs.

This bill also provides for an orderly review of the proposals subject to review in accordance with the Maine Certificate of Need Act and this bill thereto, in a manner which assures priorities rationally set and allocations of limited health care resources in accordance with the most pressing needs of Maine people rather than the present "first-come, first served" process.