## Senate Study Bill 3105 - Introduced

SENATE FILE

BY (PROPOSED COMMITTEE ON HUMAN RESOURCES BILL BY CHAIRPERSON EDLER)

## A BILL FOR

- An Act relating to the application of the certificate of need
   process only to nursing facilities.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 135.61, subsection 1, paragraphs c and d,
 Code 2022, are amended to read as follows:

3 c. Each institutional health <u>nursing</u> facility or 4 health maintenance organization which is located in the 5 geographic area which would appropriately be served by the 6 new institutional health service proposed in the application. 7 The appropriate geographic service area of each institutional 8 health <u>nursing</u> facility or health maintenance organization 9 shall be determined on a uniform basis in accordance with 10 criteria established in rules adopted by the department.

11 d. Each institutional health <u>nursing</u> facility or health 12 maintenance organization which, prior to receipt of the 13 application by the department, has formally indicated to the 14 department pursuant to this subchapter an intent to furnish in 15 the future institutional health services similar to the new 16 institutional health service proposed in the application.

17 Sec. 2. Section 135.61, subsections 3, 15, 18, and 19, Code 18 2022, are amended to read as follows:

19 3. "Consumer" means any individual whose occupation is other 20 than health services, who has no fiduciary obligation to an 21 institutional health a nursing facility, health maintenance 22 organization or other facility or other entity primarily 23 engaged in delivery of services provided by persons in health 24 service occupations, and who has no material financial interest 25 in the providing of any health services.

26 15. "Institutional health service" means any health service 27 furnished in or through institutional health <u>nursing</u> facilities 28 or health maintenance organizations, including mobile health 29 services.

30 18. "New institutional health service" or "changed 31 institutional health service" means any of the following: 32 a. The construction, development or other establishment 33 of a new institutional health <u>nursing</u> facility regardless of 34 ownership.

35 b. Relocation of an institutional health a nursing facility.

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c. Any capital expenditure, lease, or donation by or
 on behalf of an institutional health a nursing facility in
 excess of one million five hundred thousand dollars within a
 twelve-month period.

*d.* A permanent change in the bed capacity, as determined by
the department, of an institutional health a nursing facility.
For purposes of this paragraph, a change is permanent if it is
intended to be effective for one year or more.

9 e. Any expenditure in excess of five hundred thousand 10 dollars by or on behalf of an institutional health <u>a nursing</u> 11 facility for health services which are or will be offered in 12 or through an institutional health <u>a nursing</u> facility at a 13 specific time but which were not offered on a regular basis in 14 or through that institutional health <u>nursing</u> facility within 15 the twelve-month period prior to that time.

16 f. The deletion of one or more health services, previously 17 offered on a regular basis by an institutional health a nursing 18 facility or health maintenance organization or the relocation 19 of one or more health services from one physical facility to 20 another.

21 g. Any acquisition by or on behalf of a health care provider
22 or a group of health care providers of any piece of replacement
23 equipment with a value in excess of one million five hundred
24 thousand dollars, whether acquired by purchase, lease, or
25 donation.

26 h. Any acquisition by or on behalf of a health care provider 27 or group of health care providers of any piece of equipment 28 with a value in excess of one million five hundred thousand 29 dollars, whether acquired by purchase, lease, or donation, 30 which results in the offering or development of a health 31 service not previously provided. A mobile service provided 32 on a contract basis is not considered to have been previously 33 provided by a health care provider or group of health care 34 providers.

35 *i. g.* Any acquisition by or on behalf of an institutional

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1 health a nursing facility or a health maintenance organization 2 of any piece of replacement equipment with a value in excess of 3 one million five hundred thousand dollars, whether acquired by 4 purchase, lease, or donation.

5 *j. h.* Any acquisition by or on behalf of an institutional 6 health <u>a nursing</u> facility or health maintenance organization 7 of any piece of equipment with a value in excess of one 8 million five hundred thousand dollars, whether acquired by 9 purchase, lease, or donation, which results in the offering or 10 development of a health service not previously provided. A 11 mobile service provided on a contract basis is not considered 12 to have been previously provided by <u>an institutional health a</u> 13 nursing facility.

14 *k.* Any air transportation service for transportation of 15 patients or medical personnel offered through an institutional 16 health facility at a specific time but which was not offered 17 on a regular basis in or through that institutional health 18 facility within the twelve-month period prior to the specific 19 time.

20 *1.* <u>*i.*</u> Any mobile health service with a value in excess of 21 one million five hundred thousand dollars.

22 *m.* Any of the following:

23 (1) Cardiac catheterization service.

24 (2) Open heart surgical service.

25 (3) Organ transplantation service.

26 (4) Radiation therapy service applying ionizing radiation 27 for the treatment of malignant disease using megavoltage 28 external beam equipment.

19. "Offer", when used in connection with health services, means that an institutional health a nursing facility, health maintenance organization, health care provider, or group of health care providers holds itself out as capable of providing, or as having the means to provide, specified health services. Sec. 3. Section 135.61, Code 2022, is amended by adding the following new subsection:

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NEW SUBSECTION. 18A. "Nursing facility" means the same as 2 defined in section 135C.1.

3 Sec. 4. Section 135.61, subsections 2, 14, 20, 21, and 22,
4 Code 2022, are amended by striking the subsections.

5 Sec. 5. Section 135.62, subsection 2, paragraph a, 6 subparagraph (2), Code 2022, is amended to read as follows: 7 (2) Serve as a member of any board or other policymaking or 8 advisory body of an institutional health <u>a nursing</u> facility, 9 a health maintenance organization, or any health or hospital 10 insurer.

11 Sec. 6. Section 135.63, Code 2022, is amended to read as
12 follows:

13 135.63 Certificate of need required — exclusions.

1. A new institutional health service or changed 14 15 institutional health service shall not be offered or developed 16 in this state without prior application to the department 17 for and receipt of a certificate of need, pursuant to 18 this subchapter. The application shall be made upon forms 19 furnished or prescribed by the department and shall contain 20 such information as the department may require under this 21 subchapter. The application shall be accompanied by a fee 22 equivalent to three-tenths of one percent of the anticipated 23 cost of the project with a minimum fee of six hundred dollars 24 and a maximum fee of twenty-one thousand dollars. The fee 25 shall be remitted by the department to the treasurer of 26 state, who shall place it in the general fund of the state. 27 If an application is voluntarily withdrawn within thirty 28 calendar days after submission, seventy-five percent of the 29 application fee shall be refunded; if the application is 30 voluntarily withdrawn more than thirty but within sixty days 31 after submission, fifty percent of the application fee shall 32 be refunded; if the application is withdrawn voluntarily more 33 than sixty days after submission, twenty-five percent of 34 the application fee shall be refunded. Notwithstanding the 35 required payment of an application fee under this subsection,

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1 an applicant for a new institutional health service or a
2 changed institutional health service offered or developed by

3 an intermediate care facility for persons with an intellectual

4 disability or an intermediate care facility for persons with

5 mental illness as defined pursuant to section 135C.1 is exempt

6 from payment of the application fee.

7 2. This subchapter shall not be construed to augment, limit,
8 contravene, or repeal in any manner any other statute of this
9 state which may authorize or relate to licensure, regulation,
10 supervision, or control of, nor to be applicable to:

11 a. Private offices and private clinics of an individual 12 physician, dentist, or other practitioner or group of 13 health care providers, except as provided by section 135.61, 14 subsection 18, paragraphs "g", "h", and "m", and section 135.61,

15 subsections 20 and 21.

16 b. Dispensaries and first aid stations, located within 17 schools, businesses, or industrial establishments, which are 18 maintained solely for the use of students or employees of those 19 establishments and which do not contain inpatient or resident 20 beds that are customarily occupied by the same individual for 21 more than twenty-four consecutive hours.

22 c. Establishments such as motels, hotels, and boarding 23 houses which provide medical, nursing personnel, and other 24 health related services as an incident to their primary 25 business or function.

26 d. b. The remedial care or treatment of residents.
27 consumers, or patients in any home or institution conducted
28 only for those who rely solely upon treatment by prayer or
29 spiritual means in accordance with the creed or tenets of any
30 recognized church or religious denomination.

31 *e. c.* A health maintenance organization or combination of 32 health maintenance organizations or <del>an institutional health</del> <u>a</u> 33 <u>nursing</u> facility controlled directly or indirectly by a health 34 maintenance organization or combination of health maintenance 35 organizations, except when the health maintenance organization

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1 or combination of health maintenance organizations does any of
2 the following:

3 (1) Constructs, constructs, develops, renovates, relocates, 4 or otherwise establishes an institutional health a nursing 5 facility.

6 (2) Acquires major medical equipment as provided by section
7 135.61, subsection 18, paragraphs *i* and *j*.

8 *f.* A residential care facility, as defined in section
9 135C.1, including a residential care facility for persons with
10 an intellectual disability, notwithstanding any provision in
11 this subchapter to the contrary.

12 g. d. (1) A reduction in bed capacity of an institutional 13 health a nursing facility, notwithstanding any provision in 14 this subchapter to the contrary, if all of the following 15 conditions exist:

16 (a) The institutional health <u>nursing</u> facility reports to 17 the department the number and type of beds reduced on a form 18 prescribed by the department at least thirty days before the 19 reduction. In the case of a health care facility, the <u>The</u> 20 new bed total must be consistent with the number of licensed 21 beds at the facility. In the case of a hospital, the number 22 of beds must be consistent with bed totals reported to the 23 department of inspections and appeals for purposes of licensure 24 and certification.

25 (b) The institutional health <u>nursing</u> facility reports the 26 new bed total on its next annual report to the department. 27 (2) If these conditions are not met, the institutional 28 health <u>nursing</u> facility is subject to review as a "new 29 institutional health service" or "changed institutional 30 health service" <u>under section 135.61</u>, <u>subsection 18</u>, <u>paragraph</u> 31  $\frac{~a''}{r}$  and subject to sanctions under <u>section 135.73</u>. If the 32 institutional health <u>nursing</u> facility reestablishes the deleted 33 beds at a later time, review as a "new institutional health 34 service" or "changed institutional health service" is required 35 <u>pursuant to section 135.61</u>, <u>subsection 18</u>, <u>paragraph "d"</u>.

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h. e. (1) The deletion of one or more health services,
 previously offered on a regular basis by an institutional
 health a nursing facility or health maintenance organization,
 notwithstanding any provision of this subchapter to the
 contrary, if all of the following conditions exist:

6 (a) The institutional health <u>nursing</u> facility or health 7 maintenance organization reports to the department the deletion 8 of the service or services at least thirty days before the 9 deletion on a form prescribed by the department.

10 (b) The institutional health <u>nursing</u> facility or health 11 maintenance organization reports the deletion of the service or 12 services on its next annual report to the department.

13 (2) If these conditions are not met, the institutional 14 health <u>nursing</u> facility or health maintenance organization is 15 subject to review as a "new institutional health service" or 16 "changed institutional health service" <del>under section 135.61,</del> 17 <del>subsection 18, paragraph "f"</del>, and subject to sanctions under 18 section 135.73.

19 (3) If the institutional health <u>nursing</u> facility or health 20 maintenance organization reestablishes the deleted service 21 or services at a later time, review as a "new institutional 22 health service" or "changed institutional health service" may 23 be required pursuant to section 135.61, subsection 18.

24 *i.* A residential program exempt from licensing as a health 25 care facility under chapter 135C in accordance with section 26 135C.6, subsection 8.

27 j. f. The construction, modification, or replacement 28 of nonpatient care services, including parking facilities, 29 heating, ventilation and air conditioning systems, computers, 30 telephone systems, medical office buildings, and other projects 31 of a similar nature, notwithstanding any provision in this 32 subchapter to the contrary.

*k*. (1) The redistribution of beds by a hospital within the
acute care category of bed usage, notwithstanding any provision
in this subchapter to the contrary, if all of the following

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1 conditions exist:

2 (a) The hospital reports to the department the number and 3 type of beds to be redistributed on a form prescribed by the 4 department at least thirty days before the redistribution. 5 (b) The hospital reports the new distribution of beds on its 6 next annual report to the department. (2) If these conditions are not met, the redistribution 7 8 of beds by the hospital is subject to review as a new 9 institutional health service or changed institutional health 10 service pursuant to section 135.61, subsection 18, paragraph 11 "d'', and is subject to sanctions under section 135.73. 12 1. g. The replacement or modernization of any institutional 13 health nursing facility if the replacement or modernization 14 does not add new health services or additional bed capacity 15 for existing health services, notwithstanding any provision in 16 this subchapter to the contrary. With respect to a nursing 17 facility, "replacement" means establishing a, and the new 18 nursing facility is established within the same county as the 19 prior nursing facility to be closed. With reference to a 20 hospital, "replacement" means establishing a new hospital that 21 demonstrates compliance with all of the following criteria 22 through evidence submitted to the department: 23 (1) Is designated as a critical access hospital pursuant to 24 42 U.S.C. §1395i-4. 25 (2) Serves at least seventy-five percent of the same service 26 area that was served by the prior hospital to be closed and 27 replaced by the new hospital. 28 (3) Provides at least seventy-five percent of the same 29 services that were provided by the prior hospital to be closed 30 and replaced by the new hospital. (4) Is staffed by at least seventy-five percent of the 31 32 same staff, including medical staff, contracted staff, and 33 employees, as constituted the staff of the prior hospital to be 34 closed and replaced by the new hospital. m. Hemodialysis services provided by a hospital or 35

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1 freestanding facility, notwithstanding any provision in this
2 subchapter to the contrary.

3 *n*. Hospice services provided by a hospital, notwithstanding
4 any provision in this subchapter to the contrary.

5 o. h. The change in ownership, licensure, or organizational
6 structure, or designation of the type of institutional health
7 a nursing facility if the health services offered by the
8 successor institutional health nursing facility are unchanged.
9 This exclusion is applicable only if the institutional
10 health nursing facility consents to the change in ownership,
11 licensure, or organizational structure, or designation of
12 the type of institutional health the nursing facility and
13 ceases offering the health services simultaneously with the
14 initiation of the offering of health services by the successor
15 institutional health nursing facility.

16 p. The conversion of an existing number of beds by an
17 intermediate care facility for persons with an intellectual
18 disability to a smaller facility environment, including but not
19 limited to a community-based environment which does not result
20 in an increased number of beds, notwithstanding any provision
21 in this subchapter to the contrary, including subsection 4, if
22 all of the following conditions exist:
23 (1) The intermediate care facility for persons with an

24 intellectual disability reports the number and type of beds to
25 be converted on a form prescribed by the department at least
26 thirty days before the conversion.

27 (2) The intermediate care facility for persons with an
28 intellectual disability reports the conversion of beds on its
29 next annual report to the department.

30 3. This subchapter shall not be construed to be applicable 31 to a health care facility operated by and for the exclusive use 32 of members of a religious order, which does not admit more than 33 two individuals to the facility from the general public, and 34 which was in operation prior to July 1, 1986. However, this 35 subchapter is applicable to such a facility if the facility

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1 is involved in the offering or developing of a new or changed 2 institutional health service on or after July 1, 1986, through 3 June 30, 2022.

4 4. A copy of the application shall be sent to the department
5 of human services at the time the application is submitted to
6 the Iowa department of public health. The department shall not
7 process applications for and the council shall not consider a
8 new or changed institutional health service for an intermediate
9 care facility for persons with an intellectual disability

10 unless both of the following conditions are met:

11 *a.* The new or changed beds shall not result in an

12 increase in the total number of medical assistance certified

13 intermediate care facility beds for persons with an

14 intellectual disability in the state, exclusive of those beds

15 at the state resource centers or other state institutions,

16 beyond one thousand six hundred thirty-six beds.

17 b. A letter of support for the application is provided by 18 the county board of supervisors, or the board's designee, in 19 the county in which the beds would be located.

20 Sec. 7. Section 135.64, subsection 1, paragraphs o and q, 21 Code 2022, are amended to read as follows:

22 o. The impact of relocation of an institutional health <u>a</u>
 23 <u>nursing</u> facility or health maintenance organization on other
 24 institutional health <u>nursing</u> facilities or health maintenance
 25 organizations and on the needs of the population to be served,
 26 or which was previously served, or both.

27 q. In the case of a proposal for the addition of beds
28 to a health care <u>nursing</u> facility, the consistency of the
29 proposed addition with the plans of other agencies of this
30 state responsible for provision and financing of long-term care
31 services, including home health services.

32 Sec. 8. Section 135.64, subsection 1, paragraphs m and n,33 Code 2022, are amended by striking the paragraphs.

34 Sec. 9. Section 135.64, subsection 2, Code 2022, is amended 35 to read as follows:

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In addition to the findings required with respect to
 any of the criteria listed in subsection 1 of this section,
 the council shall grant a certificate of need for a new
 institutional health service or changed institutional health
 service only if it finds in writing, on the basis of data
 submitted to it by the department, that all of the following
 conditions are met:

8 *a.* Less costly, more efficient, or more appropriate 9 alternatives to the proposed institutional health service are 10 not available and the development of such alternatives is not 11 practicable;.

12 b. Any existing facilities providing institutional health 13 services similar to those proposed are being used in an 14 appropriate and efficient manner;.

15 c. In the case of new construction, alternatives including 16 but not limited to modernization or sharing arrangements have 17 been considered and have been implemented to the maximum extent 18 practicable;.

19 d. Patients <u>or consumers</u> will experience serious problems 20 in obtaining care of the type which will be furnished by 21 the proposed new institutional health service or changed 22 institutional health service, in the absence of that proposed 23 new service.

24 Sec. 10. Section 135.64, subsection 3, Code 2022, is amended 25 by striking the subsection.

26 Sec. 11. Section 135.67, subsection 1, paragraphs a, b, and 27 c, Code 2022, are amended to read as follows:

*a.* A project which is limited to repair or replacement
of a <u>nursing</u> facility or equipment damaged or destroyed by a
disaster, and which will not expand the <u>nursing</u> facility nor
increase the services provided beyond the level existing prior
to the disaster.

*b.* A project necessary to enable the <u>nursing</u> facility
or service to achieve or maintain compliance with federal,
state, or other appropriate licensing, certification, or safety

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l requirements.

2 c. A project which will not change the existing bed capacity 3 of the applicant's <u>nursing</u> facility or service, as determined 4 by the department, by more than ten percent or ten beds, 5 whichever is less, over a two-year period.

6 Sec. 12. Section 135.73, subsection 1, Code 2022, is amended 7 to read as follows:

8 1. Any party constructing a new institutional health 9 <u>nursing</u> facility or an addition to or renovation of an existing 10 institutional health <u>nursing</u> facility without first obtaining 11 a certificate of need or, in the case of a mobile health 12 service, ascertaining that the mobile health service has 13 received certificate of need approval, as required by this 14 subchapter, shall be denied licensure or change of licensure by 15 the appropriate responsible licensing agency of this state. 16 Sec. 13. Section 135.131, subsection 1, paragraph a, Code 17 2022, is amended to read as follows:

18 a. "Birth center" means birth center as defined in section
19 135.61 a facility or institution, which is not an ambulatory
20 surgical center or a hospital or in a hospital, in which
21 births are planned to occur following a normal, uncomplicated,
22 low-risk pregnancy.

23 Sec. 14. Section 135H.6, subsection 1, paragraph d, Code 24 2022, is amended by striking the paragraph.

25 Sec. 15. Section 135H.6, subsections 3, 4, and 5, Code 2022, 26 are amended to read as follows:

3. In addition to the beds authorized under subsection 2, the department of human services may establish not more than thirty beds licensed under this chapter at the state mental health institute at Independence. The beds shall be exempt from the certificate of need requirement under subsection 1, paragraph d...

33 4. The department of human services may give approval to
34 conversion of beds approved under subsection 2, to beds which
35 are specialized to provide substance abuse treatment. However,

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1 the total number of beds approved under subsection 2 and this 2 subsection shall not exceed four hundred thirty. Conversion 3 of beds under this subsection shall not require a revision of 4 the certificate of need issued for the psychiatric institution 5 making the conversion. Beds for children who do not reside 6 in this state and whose service costs are not paid by public 7 funds in this state are not subject to the limitations on the 8 number of beds and certificate of need requirements otherwise 9 applicable under this section.

10 5. A psychiatric institution licensed prior to July 1, 1999, 11 may exceed the number of beds authorized under subsection 2 12 if the excess beds are used to provide services funded from a 13 source other than the medical assistance program under chapter 14 249A. Notwithstanding subsection 1, paragraphs "d" and "e", 15 and subsection 2, the provision of services using those excess 16 beds does not require a certificate of need or a review by the 17 department of human services.

18 Sec. 16. Section 135P.1, subsection 3, Code 2022, is amended 19 to read as follows:

3. *Health facility* means an institutional a hospital, a health care facility as defined in section 135.61, an organized outpatient health facility, an outpatient surgical facility, a community mental health facility, a birth center as defined in section 135.131, a hospice licensed under chapter 135J, a home health agency as defined in section 144D.1, an assisted living program certified under chapter 231C, a clinic, a community health center, or the university of Iowa hospitals and clinics, and includes any corporation, professional corporation, partnership, limited liability company, limited liability partnership, or other entity comprised of such health facilities.

32 Sec. 17. Section 231C.3, subsection 2, Code 2022, is amended 33 to read as follows:

34 2. Each assisted living program operating in this state35 shall be certified by the department. If an assisted living

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1 program is voluntarily accredited by a recognized accrediting 2 entity, the department shall certify the assisted living 3 program on the basis of the voluntary accreditation. An 4 assisted living program that is certified by the department on 5 the basis of voluntary accreditation shall not be subject to 6 payment of the certification fee prescribed in section 231C.18, 7 but shall be subject to an administrative fee as prescribed by 8 rule. An assisted living program certified under this section 9 is exempt from the requirements of section 135.63 relating to 10 certificate of need requirements.

Sec. 18. REPEAL. Section 135B.5A, Code 2022, is repealed.
EXPLANATION

13The inclusion of this explanation does not constitute agreement with14the explanation's substance by the members of the general assembly.

15 This bill relates to the certificate of need process. 16 The bill eliminates the application of certificate of need 17 requirements to any other institutional health facility or 18 other entity that furnishes new or changed institutional health 19 services with the exception of nursing facilities. The bill 20 amends the definition of "new institutional health service" 21 or "changed institutional health service" to retain services 22 applicable to a nursing facility and eliminates definitions and 23 other provisions no longer necessary to the certificate of need 24 provisions. The bill also makes conforming changes throughout 25 the Code.

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