

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: Yes

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: No

RWH/JA

P.L.2017, CHAPTER 94, *approved July 3, 2017*
Senate, No. 2844 (*First Reprint*)

1 AN ACT concerning certificate of need requirements and amending
2 P.L.1992, c.160.
3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:
6
7 1. Section 19 of P.L.1992, 160 (C.26:2H-7a) is amended to
8 read as follows:
9 19. Notwithstanding the provisions of section 7 of P.L.1971,
10 c.136 (C.26:2H-7) to the contrary, the following are exempt from
11 the certificate of need requirement:
12 Community-based primary care centers;
13 Outpatient drug and alcohol services;
14 Hospital-based medical detoxification for drugs and alcohol;
15 Ambulance and invalid coach services;
16 Mental health services which are non-bed related outpatient
17 services;
18 Residential health care facility services;
19 Dementia care homes;
20 Capital improvements and renovations to health care facilities;
21 Additions of medical/surgical, adult intensive care and adult
22 critical care beds in hospitals;
23 Inpatient special psychiatric beds ¹**【designated】** used solely¹ for
24 services for patients with ¹**【psychiatric/substance use disorder dual**
25 **diagnoses】** co-occurring mental health and substance use
26 disorders¹;
27 Replacement of existing major moveable equipment;
28 Inpatient operating rooms;
29 Alternate family care programs;
30 Hospital-based subacute care;
31 Ambulatory care facilities;
32 Comprehensive outpatient rehabilitation services;
33 Special child health clinics;
34 New technology in accordance with the provisions of section 18
35 of P.L.1998, c.43 (C.26:2H-7d);
36 Transfer of ownership interest except in the case of an acute care
37 hospital;
38 Change of site for approved certificate of need within the same
39 county;

EXPLANATION – Matter enclosed in bold-faced brackets **【thus】** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate amendments adopted in accordance with Governor's recommendations May 25, 2017.

1 Additions to vehicles or hours of operation of a mobile intensive
2 care unit;
3 Relocation or replacement of a health care facility within the
4 same county, except for an acute care hospital;
5 Continuing care retirement communities authorized pursuant to
6 P.L.1986, c.103 (C.52:27D-330 et seq.);
7 Magnetic resonance imaging;
8 Adult day health care facilities;
9 Pediatric day health care facilities;
10 Chronic or acute renal dialysis facilities; and
11 Transfer of ownership of a hospital to an authority in accordance
12 with P.L.2006, c.46 (C.30:9-23.15 et al.).
13 (cf: P.L.2015, c.125, s.2)

14
15 2. This act shall take effect immediately.

16
17
18 _____
19
20 Eliminates certificate of need requirement for inpatient hospital
21 beds for treatment of psychiatric and substance use disorder dual
22 diagnosis.

SENATE, No. 2844

STATE OF NEW JERSEY 217th LEGISLATURE

INTRODUCED DECEMBER 5, 2016

Sponsored by:

Senator JOSEPH F. VITALE

District 19 (Middlesex)

Senator RICHARD J. CODEY

District 27 (Essex and Morris)

Assemblywoman VALERIE VAINIERI HUTTLE

District 37 (Bergen)

Assemblywoman ELIZABETH MAHER MUOIO

District 15 (Hunterdon and Mercer)

Assemblyman TIM EUSTACE

District 38 (Bergen and Passaic)

Assemblyman PARKER SPACE

District 24 (Morris, Sussex and Warren)

Assemblyman DANIEL R. BENSON

District 14 (Mercer and Middlesex)

Co-Sponsored by:

**Senators Gordon, Oroho, Assemblywoman Pinkin, Assemblyman Schaer,
Assemblywoman Lampitt, Assemblymen Conaway and O'Scanlon**

SYNOPSIS

Eliminates certificate of need requirement for inpatient hospital beds for treatment of psychiatric and substance use disorder dual diagnosis.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/17/2017)

1 AN ACT concerning certificate of need requirements and amending
2 P.L.1992, c.160.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

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7 1. Section 19 of P.L.1992, 160 (C.26:2H-7a) is amended to
8 read as follows:

9 19. Notwithstanding the provisions of section 7 of P.L.1971,
10 c.136 (C.26:2H-7) to the contrary, the following are exempt from
11 the certificate of need requirement:

12 Community-based primary care centers;

13 Outpatient drug and alcohol services;

14 Hospital-based medical detoxification for drugs and alcohol;

15 Ambulance and invalid coach services;

16 Mental health services which are non-bed related outpatient
17 services;

18 Residential health care facility services;

19 Dementia care homes;

20 Capital improvements and renovations to health care facilities;

21 Additions of medical/surgical, adult intensive care and adult
22 critical care beds in hospitals;

23 Inpatient special psychiatric beds designated for services for
24 patients with psychiatric/substance use disorder dual diagnoses;

25 Replacement of existing major moveable equipment;

26 Inpatient operating rooms;

27 Alternate family care programs;

28 Hospital-based subacute care;

29 Ambulatory care facilities;

30 Comprehensive outpatient rehabilitation services;

31 Special child health clinics;

32 New technology in accordance with the provisions of section 18
33 of P.L.1998, c.43 (C.26:2H-7d);

34 Transfer of ownership interest except in the case of an acute care
35 hospital;

36 Change of site for approved certificate of need within the same
37 county;

38 Additions to vehicles or hours of operation of a mobile intensive
39 care unit;

40 Relocation or replacement of a health care facility within the
41 same county, except for an acute care hospital;

42 Continuing care retirement communities authorized pursuant to
43 P.L.1986, c.103 (C.52:27D-330 et seq.);

44 Magnetic resonance imaging;

45 Adult day health care facilities;

**EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is
not enacted and is intended to be omitted in the law.**

Matter underlined thus is new matter.

1 Pediatric day health care facilities;
2 Chronic or acute renal dialysis facilities; and
3 Transfer of ownership of a hospital to an authority in accordance
4 with P.L.2006, c.46 (C.30:9-23.15 et al.).
5 (cf: P.L.2015, c.125, s.2)

6
7 2. This act shall take effect immediately.

8

9

10 STATEMENT

11

12 This bill would eliminate the requirement that a health care
13 facility obtain a certificate of need from the Department of Health
14 (DOH) to develop inpatient treatment beds for treatment of patients
15 who have both a psychiatric and a substance use disorder.

16 It is common for psychiatric diagnoses and substance use
17 disorders to co-occur in the same individual, but New Jersey lacks
18 sufficient capacity to provide necessary treatment for these
19 individuals. Current law permits the development of substance use
20 disorder treatment beds without a certificate of need, but requires
21 prior permission from the DOH to develop psychiatric or dual
22 diagnosis beds. There has been no call for applications for such a
23 certificate of need in over a decade.

24 The current opioid crisis highlights the need to expand treatment
25 capacity in New Jersey. Recent changes in federal and State law,
26 including the Mental Health Parity and Addiction Equity Act and
27 the Affordable Care Act, have expanded government and private
28 health insurance coverage for mental health and substance use
29 disorder treatment, making such services more financially
30 sustainable. This bill hopes to improve the availability of treatment
31 to individuals in need of both mental health and substance use
32 treatment.

SENATE HEALTH, HUMAN SERVICES AND SENIOR
CITIZENS COMMITTEE

STATEMENT TO

SENATE, No. 2844

STATE OF NEW JERSEY

DATED: JANUARY 9, 2017

The Senate Health, Human Services and Senior Citizens Committee reports favorably Senate Bill No. 2844.

This bill would eliminate the requirement that a health care facility obtain a certificate of need from the Department of Health (DOH) to develop inpatient treatment beds for treatment of patients who have both a psychiatric and a substance use disorder.

It is common for psychiatric diagnoses and substance use disorders to co-occur in the same individual, but New Jersey lacks sufficient capacity to provide necessary treatment for these individuals. Current law permits the development of substance use disorder treatment beds without a certificate of need, but requires prior permission from the DOH to develop psychiatric or dual diagnosis beds. There has been no call for applications for such a certificate of need in over a decade.

The current opioid crisis highlights the need to expand treatment capacity in New Jersey. Recent changes in federal and State law, including the Mental Health Parity and Addiction Equity Act and the Affordable Care Act, have expanded government and private health insurance coverage for mental health and substance use disorder treatment, making such services more financially sustainable. This bill hopes to improve the availability of treatment to individuals in need of both mental health and substance use treatment.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2844

STATE OF NEW JERSEY

DATED: FEBRUARY 27, 2017

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2844.

This bill would eliminate the requirement that a health care facility obtain a certificate of need (CN) from the Department of Health (DOH) to develop inpatient treatment beds for treatment of patients who have both a psychiatric and a substance use disorder.

Under current law, a health care facility must obtain a CN from the DOH in order to develop inpatient psychiatric treatment beds, including special beds for treatment of individuals with both a psychiatric disorder and a substance use disorder. (A CN is not required for beds exclusively for substance use disorders.) CNs are made available pursuant to a call for applications published by the DOH – facilities may not apply in the absence of a call. The first certificate of need call for inpatient psychiatric beds in over a decade was issued in February 2017, for a total of 864 beds in 14 counties. This call was for general inpatient psychiatric beds, which allow for treatment of any individual with a psychiatric disorder. The special psychiatric beds that would be exempt from CN under this bill are specifically intended for treatment of individuals who have with a psychiatric/substance use disorder dual diagnosis.

FISCAL IMPACT:

The Office of Legislative Services (OLS) finds that the bill may lead to a decrease in the number of CN applications for inpatient psychiatric beds, and as a result would decrease related revenues from application fees and decrease administrative costs for reviewing applications. A CN call issued in February 2017 would allow the addition of a total of 864 inpatient psychiatric beds in 14 counties. The bill may cause some health care facilities to add beds outside of the CN process, forgoing required fees and review processes. The number of applications that might be forgone, or the associated fees and State costs, cannot be determined with any certainty. The bill would have no fiscal impact in years in which no CN call for inpatient psychiatric beds is issued. This estimate assumes that no additional CN calls for inpatient psychiatric beds will be issued in the near future, consistent with the long-term trend.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2844
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: FEBRUARY 22, 2017

SUMMARY

Synopsis: Eliminates certificate of need requirement for inpatient hospital beds for treatment of psychiatric and substance use disorder dual diagnosis.

Type of Impact: Possible forgone revenue and expenditure, General Fund.

Agencies Affected: Department of Health.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
State Cost	Indeterminate decrease	\$0	\$0
State Revenue	Indeterminate decrease	\$0	\$0

- The Office of Legislative Services (OLS) finds that the bill may lead to a decrease in the number of certificate of need (CN) applications for inpatient psychiatric beds, and as a result would decrease related revenues from application fees and decrease administrative costs for reviewing applications.
- A CN call issued in February 2017 would allow the addition of a total of 864 inpatient psychiatric beds in 14 counties. The bill may cause some health care facilities to add beds outside of the CN process, forgoing required fees and review processes. The number of applications that might be forgone, or the associated fees and State costs, cannot be determined with any certainty.
- The bill would have no fiscal impact in years in which no CN call for inpatient psychiatric beds is issued. This estimate assumes that no additional CN calls for inpatient psychiatric beds will be issued in the near future, consistent with the long-term trend.

BILL DESCRIPTION

Senate Bill No. 2844 of 2016 would eliminate the requirement that a health care facility obtain a CN from the Department of Health (DOH) to develop inpatient treatment beds for treatment of patients who have both a psychiatric and a substance use disorder.

Under current law, a health care facility must obtain a CN from the DOH in order to develop inpatient psychiatric treatment beds, including special beds for treatment of individuals with both a psychiatric disorder and a substance use disorder. (A CN is not required for beds exclusively for substance use disorders.) CNs are made available pursuant to a call for applications published by the DOH – facilities may not apply in the absence of a call. The first certificate of need call for inpatient psychiatric beds in over a decade was issued in February 2017, for a total of 864 beds in 14 counties. This call was for general inpatient psychiatric beds, which allow for treatment of any individual with a psychiatric disorder; the special psychiatric beds that would be exempt from CN under this bill are specifically intended for treatment of individuals who have both a psychiatric and a substance use disorder.

The bill would permit facilities to add inpatient special psychiatric beds for patients with a psychiatric/substance use disorder dual diagnosis without a CN call, and without the process of applying for a CN.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill may lead to a decrease in the number of certificate of need applications for inpatient psychiatric beds, and as a result would decrease related revenues from application fees and decrease administrative costs for reviewing applications.

A health care facility that is eligible to apply for a CN and intends to add inpatient psychiatric beds might instead opt to develop inpatient dual-diagnosis beds, thereby avoiding the CN process. Because these beds serve a very similar function to general psychiatric beds, this estimate assumes that any beds added under the bill would displace, rather than supplement, beds added under the CN process. Each forgone application would save the applicant at least \$7,500 for the application fee (plus an additional 0.25 percent of the total project cost if over \$1,000,000), reducing State revenue accordingly. The DOH would not need to expend resources reviewing applications that are not filed as a result of the bill, though it is possible that staff resources would be directed to other department functions, rather than resulting in State savings. The number of applications that might be forgone, or the associated fees and State costs, cannot be determined with any certainty.

The bill would have no fiscal impact in years in which no CN call for inpatient psychiatric beds is issued. Similarly, it would have no fiscal impact with regard to facilities ineligible to apply for a CN to add inpatient psychiatric beds, as their choice to expand would not directly affect the State government. Because only a single CN call has been issued for inpatient psychiatric beds in more than a decade, this estimate assumes that no additional CN calls will be issued in the near future, and thus assumes that there will be no fiscal impact in the years immediately following 2017.

Section: Human Services

*Analyst: David Drescher
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2844 STATE OF NEW JERSEY 217th LEGISLATURE

DATED: JUNE 22, 2017

SUMMARY

- Synopsis:** Eliminates certificate of need requirement for inpatient hospital beds for treatment of psychiatric and substance use disorder dual diagnosis.
- Type of Impact:** Indeterminate net impact to State General Fund and Property Tax Relief Fund. Possible county cost reduction.
- Agencies Affected:** Department of Health. Possibly Department of Human Services and county psychiatric hospitals.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Cost	Indeterminate net impact – See comments below.
State Revenue	Possible decrease – See comments below
County Cost	Possible decrease – See comments below.

- The Office of Legislative Services (OLS) finds that the bill may lead to a decrease in the number of certificate of need (CN) applications for inpatient psychiatric beds, and as a result may decrease related State revenues from application fees and State administrative costs for reviewing the applications. Because only a single CN call has been issued for inpatient psychiatric beds in more than a decade, it may be unlikely that any additional calls will be issued in the foreseeable future, and thus the bill would not affect State expenditures and revenues related to the CN process until the next CN call.
- The bill could lead to some individuals who are involuntarily committed to psychiatric treatment being treated in beds in private institutions that would be newly developed outside of the CN process, rather than in State or county psychiatric hospitals. This could entail a shift of costs from public institutions to private ones, though in many cases the State would still pay for this care through the Medicaid program. The magnitude of this effect would depend on the number of closed beds added and the number of patients diverted from public institutions to these beds, and cannot be quantified in advance.

BILL DESCRIPTION

Senate Bill No. 2844 (1R) of 2016 eliminates the requirement that a health care facility obtain a CN from the Department of Health (DOH) to develop inpatient special psychiatric treatment beds used solely for services for patients with co-occurring mental health and substance use disorders.

Under current law, a health care facility must obtain a CN from the DOH in order to develop inpatient psychiatric treatment beds. (A CN is not required for beds used exclusively for substance use disorders.) CNs are made available pursuant to a call for applications published by the DOH – facilities may not apply in the absence of a call. The first CN call for inpatient psychiatric beds (a broader category than the special psychiatric beds covered by the bill) in over a decade was issued in February 2017, for a total of 864 beds in 14 counties, and closed in May 2017.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill may lead to a decrease in the number of CN applications for inpatient psychiatric beds, and as a result would decrease related State revenues from application fees and State administrative costs for reviewing the applications.

A health care facility that is eligible to apply for a CN and intends to add inpatient psychiatric beds might instead opt to develop beds exempt from CN under this bill, thereby avoiding the CN process. Because these beds serve a very similar function to general psychiatric beds, this estimate assumes that any beds added under the bill would displace, rather than supplement, beds added under the CN process. Each forgone application would save the applicant at least \$7,500 for the application fee (plus an additional 0.25 percent of the total project cost if over \$1,000,000), reducing State revenue accordingly. For comparison, the February 2017 CN call resulted in applications for a total of 1,142 beds, including new facilities, and fees totaling over \$1 million were paid to the DOH. Current regulation at N.J.A.C.8:33-4.8 provides that CN filing fees for withdrawn applications are not returnable. The DOH would not need to expend resources reviewing applications that are not filed as a result of the bill, though it is possible that staff resources would be directed to other department functions, rather than resulting in State savings. Any actual fiscal impact to the CN process would depend on future CN calls – it would have no impact in years in which no CN call for inpatient psychiatric beds is issued. Because only a single CN call has been issued for inpatient psychiatric beds in more than a decade, it may be unlikely that any additional calls will be issued in the foreseeable future.

To the extent that any closed (involuntary) inpatient beds may be developed under the bill that would not otherwise be developed under the current CN process, the bill could lead to some individuals who are involuntarily committed to psychiatric treatment being treated in these newly developed beds in private institutions, rather than in State or county psychiatric hospitals. If this leads to a significant shift in patient census, it could entail a shift of costs from public institutions to private ones. In many cases, treatment provided in private institutions would still be funded by the State, through the Medicaid program. The Department of Human Services operates four

psychiatric hospitals supported primarily from the State General Fund; the counties of Bergen, Essex, Hudson, and Union each operate psychiatric hospitals, which are funded with county resources and subsidized by the State Property Tax Relief Fund. The magnitude of this effect would depend on the number of closed beds added and the number of patients diverted from public institutions to these beds, as well as future decisions by the State and counties regarding the operation of psychiatric hospitals, and cannot be quantified in advance.

Section: Human Services

*Analyst: David Drescher
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY, No. 4425

STATE OF NEW JERSEY 217th LEGISLATURE

INTRODUCED DECEMBER 15, 2016

Sponsored by:

Assemblywoman VALERIE VAINIERI HUTTLE

District 37 (Bergen)

Assemblywoman ELIZABETH MAHER MUOIO

District 15 (Hunterdon and Mercer)

Assemblyman TIM EUSTACE

District 38 (Bergen and Passaic)

Assemblyman PARKER SPACE

District 24 (Morris, Sussex and Warren)

Assemblyman DANIEL R. BENSON

District 14 (Mercer and Middlesex)

Co-Sponsored by:

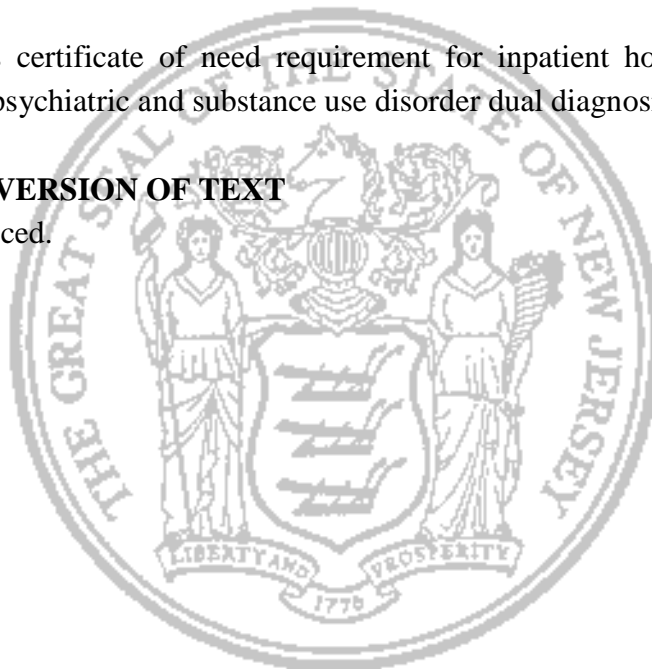
**Assemblywoman Pinkin, Assemblyman Schaer, Assemblywoman Lampitt,
Assemblymen Conaway and O'Scanlon**

SYNOPSIS

Eliminates certificate of need requirement for inpatient hospital beds for treatment of psychiatric and substance use disorder dual diagnosis.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/17/2017)

1 AN ACT concerning certificate of need requirements and amending
2 P.L.1992, c.160.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. Section 19 of P.L.1992, 160 (C.26:2H-7a) is amended to
8 read as follows:

9 19. Notwithstanding the provisions of section 7 of P.L.1971,
10 c.136 (C.26:2H-7) to the contrary, the following are exempt from
11 the certificate of need requirement:

12 Community-based primary care centers;

13 Outpatient drug and alcohol services;

14 Hospital-based medical detoxification for drugs and alcohol;

15 Ambulance and invalid coach services;

16 Mental health services which are non-bed related outpatient
17 services;

18 Residential health care facility services;

19 Dementia care homes;

20 Capital improvements and renovations to health care facilities;

21 Additions of medical/surgical, adult intensive care and adult
22 critical care beds in hospitals;

23 Inpatient special psychiatric beds designated for services for
24 patients with psychiatric/substance use disorder dual diagnoses;

25 Replacement of existing major moveable equipment;

26 Inpatient operating rooms;

27 Alternate family care programs;

28 Hospital-based subacute care;

29 Ambulatory care facilities;

30 Comprehensive outpatient rehabilitation services;

31 Special child health clinics;

32 New technology in accordance with the provisions of section 18
33 of P.L.1998, c.43 (C.26:2H-7d);

34 Transfer of ownership interest except in the case of an acute care
35 hospital;

36 Change of site for approved certificate of need within the same
37 county;

38 Additions to vehicles or hours of operation of a mobile intensive
39 care unit;

40 Relocation or replacement of a health care facility within the
41 same county, except for an acute care hospital;

42 Continuing care retirement communities authorized pursuant to
43 P.L.1986, c.103 (C.52:27D-330 et seq.);

44 Magnetic resonance imaging;

45 Adult day health care facilities;

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

- 1 Pediatric day health care facilities;
2 Chronic or acute renal dialysis facilities; and
3 Transfer of ownership of a hospital to an authority in accordance
4 with P.L.2006, c.46 (C.30:9-23.15 et al.).
5 (cf: P.L.2015, c.125, s.2)
6
7 2. This act shall take effect immediately.
8
9

10 STATEMENT
11

12 This bill would eliminate the requirement that a health care
13 facility obtain a certificate of need from the Department of Health
14 (DOH) to develop inpatient treatment beds for treatment of patients
15 who have both a psychiatric and a substance use disorder.

16 It is common for psychiatric diagnoses and substance use
17 disorders to co-occur in the same individual, but New Jersey lacks
18 sufficient capacity to provide necessary treatment for these
19 individuals. Current law permits the development of substance use
20 disorder treatment beds without a certificate of need, but requires
21 prior permission from the DOH to develop psychiatric or dual
22 diagnosis beds. There has been no call for applications for such a
23 certificate of need in over a decade.

24 The current opioid crisis highlights the need to expand treatment
25 capacity in New Jersey. Recent changes in federal and State law,
26 including the Mental Health Parity and Addiction Equity Act and
27 the Affordable Care Act, have expanded government and private
28 health insurance coverage for mental health and substance use
29 disorder treatment, making such services more financially
30 sustainable. This bill hopes to improve the availability of treatment
31 to individuals in need of both mental health and substance use
32 treatment.

ASSEMBLY HEALTH AND SENIOR SERVICES COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4425

STATE OF NEW JERSEY

DATED: FEBRUARY 27, 2017

The Assembly Health and Senior Services Committee reports favorably Assembly Bill No. 4425.

This bill eliminates the requirement that a health care facility obtain a certificate of need from the Department of Health (DOH) to develop inpatient treatment beds for treatment of patients who have both a psychiatric and a substance use disorder.

It is common for psychiatric diagnoses and substance use disorders to co-occur in the same individual, but New Jersey lacks sufficient capacity to provide necessary treatment for these individuals. Current law permits the development of substance use disorder treatment beds without a certificate of need, but requires prior permission from the DOH to develop psychiatric or dual diagnosis beds. There has been no call for applications for such a certificate of need in over a decade. This bill will help expand treatment capacity to address the needs of individuals requiring both mental health and substance use treatment services.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4425
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: FEBRUARY 22, 2017

SUMMARY

Synopsis: Eliminates certificate of need requirement for inpatient hospital beds for treatment of psychiatric and substance use disorder dual diagnosis.

Type of Impact: Possible forgone revenue and expenditure, General Fund.

Agencies Affected: Department of Health.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
State Cost	Indeterminate decrease	\$0	\$0
State Revenue	Indeterminate decrease	\$0	\$0

- The Office of Legislative Services (OLS) finds that the bill may lead to a decrease in the number of certificate of need (CN) applications for inpatient psychiatric beds, and as a result would decrease related revenues from application fees and decrease administrative costs for reviewing applications.
- A CN call issued in February 2017 would allow the addition of a total of 864 inpatient psychiatric beds in 14 counties. The bill may cause some health care facilities to add beds outside of the CN process, forgoing required fees and review processes. The number of applications that might be forgone, or the associated fees and State costs, cannot be determined with any certainty.
- The bill would have no fiscal impact in years in which no CN call for inpatient psychiatric beds is issued. This estimate assumes that no additional CN calls for inpatient psychiatric beds will be issued in the near future, consistent with the long-term trend.

BILL DESCRIPTION

Assembly Bill No. 4425 of 2016 would eliminate the requirement that a health care facility obtain a CN from the Department of Health (DOH) to develop inpatient treatment beds for treatment of patients who have both a psychiatric and a substance use disorder.

Under current law, a health care facility must obtain a CN from the DOH in order to develop inpatient psychiatric treatment beds, including special beds for treatment of individuals with both a psychiatric disorder and a substance use disorder. (A CN is not required for beds exclusively for substance use disorders.) CNs are made available pursuant to a call for applications published by the DOH – facilities may not apply in the absence of a call. The first certificate of need call for inpatient psychiatric beds in over a decade was issued in February 2017, for a total of 864 beds in 14 counties. This call was for general inpatient psychiatric beds, which allow for treatment of any individual with a psychiatric disorder; the special psychiatric beds that would be exempt from CN under this bill are specifically intended for treatment of individuals who have both a psychiatric and a substance use disorder.

The bill would permit facilities to add inpatient special psychiatric beds for patients with a psychiatric/substance use disorder dual diagnosis without a CN call, and without the process of applying for a CN.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill may lead to a decrease in the number of certificate of need applications for inpatient psychiatric beds, and as a result would decrease related revenues from application fees and decrease administrative costs for reviewing applications.

A health care facility that is eligible to apply for a CN and intends to add inpatient psychiatric beds might instead opt to develop inpatient dual-diagnosis beds, thereby avoiding the CN process. Because these beds serve a very similar function to general psychiatric beds, this estimate assumes that any beds added under the bill would displace, rather than supplement, beds added under the CN process. Each forgone application would save the applicant at least \$7,500 for the application fee (plus an additional 0.25 percent of the total project cost if over \$1,000,000), reducing State revenue accordingly. The DOH would not need to expend resources reviewing applications that are not filed as a result of the bill, though it is possible that staff resources would be directed to other department functions, rather than resulting in State savings. The number of applications that might be forgone, or the associated fees and State costs, cannot be determined with any certainty.

The bill would have no fiscal impact in years in which no CN call for inpatient psychiatric beds is issued. Similarly, it would have no fiscal impact with regard to facilities ineligible to apply for a CN to add inpatient psychiatric beds, as their choice to expand would not directly affect the State government. Because only a single CN call has been issued for inpatient psychiatric beds in more than a decade, this estimate assumes that no additional CN calls will be issued in the near future, and thus assumes that there will be no fiscal impact in the years immediately following 2017.

Section: Human Services

*Analyst: David Drescher
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

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Governor Christie Takes Action On Pending Legislation

Monday, July 3, 2017

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Trenton, NJ - Governor Chris Christie today announced that he has taken action on the following pending legislation:

BILL SIGNINGS:

S-596wGR/A-3422 (Cunningham, Greenstein, Sweeney, Benson/Mukherji, Muoio, Holley, Sumter, Downey, Lampitt, Oliver, Danielsens, Wimberly) - Establishes compensation program for law enforcement officers and certain other employees injured while performing official duties

S-2844wGR/A-4425 (Vitale, Codey/Vainieri Huttle, Muoio, Eustace, Space, Benson) - Eliminates certificate of need requirement for inpatient hospital beds for treatment of psychiatric and substance use disorder dual diagnosis

A-1869wGR/S-668 (Wimberly, Vainieri Huttle, Oliver, Tucker, Quijano, Johnson/Rice, Cruz-Perez) - Establishes Chief Diversity Officer to monitor participation by minority-owned and women-owned businesses in State contracting

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