Michigan Certificate of Need Program

February 21, 2019
What is Certificate of Need (CON)?

- A health service, facility & equipment regulatory program
- Intended to balance cost, quality and access by ensuring that only needed health services are developed in Michigan
- Part 222 of the Public Health Code
- Two public bodies implement the program:
  - The Certificate of Need Commission develops and updates the standards for each regulated service, facility and equipment
  - Michigan Department of Health and Human Services operationalizes the program
Michigan Certificate of Need History

1974: Federal Mandate: All states have to develop a CON program

1978: Michigan's CON Program is put into state law

1986: Federal Mandate rescinded: 38 of 50 states keep CON program

1988: Michigan's First Legislative Reform of CON

2002: Michigan's Second Legislative Reform of CON

2019: Today: Focus on quality standards in addition to cost and access
Note: The Indiana Legislature enacted legislation to begin a CON program in 2018.
## The Certificate of Need Commission

<table>
<thead>
<tr>
<th>Representation</th>
<th>Current Commissioners</th>
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<tbody>
<tr>
<td>Hospitals</td>
<td>James &quot;Chip&quot; Falahee - Bronson Healthcare System</td>
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<tr>
<td>Hospitals</td>
<td>Denise Brooks-Williams - Henry Ford Wyandotte Hospital</td>
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<tr>
<td>Physician - Doctors of Medicine</td>
<td>Melisa J. Oca, MD</td>
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<tr>
<td>Physician - Doctors of Osteopathic Medicine</td>
<td>Tressa Gardner, DO</td>
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<td>Physician representing schools of medicine</td>
<td>Stewart C. Wang - University of Michigan</td>
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<tr>
<td>Nursing Homes</td>
<td>J. Lindsey Dood - Metron Integrated Health Systems</td>
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<tr>
<td>Nurses</td>
<td>Debra Guido-Allen, RN</td>
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<tr>
<td>Company self-insured for healthcare coverage</td>
<td>Melanie Lalonde - General Motors</td>
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<tr>
<td>Company not self-insured for healthcare coverage</td>
<td>Robert L. Hughes - Advantage Benefits Group</td>
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<tr>
<td>Nonprofit healthcare corporation or mutual disability insurer</td>
<td>Amy L. McKenzie, MD - Blue Cross Blue Shield of Michigan</td>
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<tr>
<td>Organized Labor Unions</td>
<td>Thomas Mittlebrun, III - Southeastern Michigan Chapter of the National Electrical Contractors Association</td>
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A healthcare provider must apply for a Certificate of Need in order to operate any one of the 15 covered clinical services.

<table>
<thead>
<tr>
<th>CON Covered Clinical Services</th>
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<tbody>
<tr>
<td>Air Ambulance Services (helicopters only)</td>
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<tr>
<td>Cardiac Catheterization Services</td>
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<tr>
<td>Computed Tomography (CT) Scanners</td>
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<tr>
<td>Hospital Beds</td>
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<tr>
<td>Magnetic Resonance Imaging (MRI)</td>
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<tr>
<td>Megavoltage Radiation Therapy (MRT)</td>
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<tr>
<td>Neonatal Intensive Care Units (NICU)</td>
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<tr>
<td>Nursing Home Beds</td>
</tr>
<tr>
<td>Open Heart Surgery Services</td>
</tr>
<tr>
<td>Positron Emission Tomography (PET) Scanners</td>
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<tr>
<td>Psychiatric Beds (Acute Inpatient)</td>
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<tr>
<td>Surgical Services</td>
</tr>
<tr>
<td>Transplant Services: Bone Marrow; Heart, Lung &amp; Liver</td>
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<td>Urinary Lithotripter Services</td>
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CON Standard Update Process

Public Comment Period

• Every CON Standard must be updated every three years. Each year, a public comment period is held to solicit input on changes, updates, issues, etc.

Commission Special Meeting

• Every January the CON Commission holds a special meeting to determine how each standard will be updated. The options are:
  1) No updates necessary
  2) Deregulate
  3) Continue regulation with modifications to the standard

Commission Options for Updating

• To continue regulation and make updates, then the following options are explored:
  1) Commission makes changes
  2) Department drafts changes
  3) A Workgroup makes recommendations
  4) A Standards Advisory Committee makes recommendations
CON Standards Updating Process

- Recommendations presented to the Commission
- Commission may:
  - Accept the Recommendations
  - Make modifications
  - Reject the Recommendations
- If changes to the Standard are to be made, then:
  - Commission takes public comment & proposed action
  - Public Hearing is held
  - Draft goes to the Joint Legislative Committee
  - Commission takes public comment & final action
  - Finalized standards go to the Governor & Joint Legislative Committee for a 45-day review period
  - Updated standards become effective
When is a CON Approval required?

The following projects must obtain a CON:

- Begin operation of a health facility that is not currently licensed or acquire an existing health facility
- Make a change in the bed capacity of a health facility
- Initiate, replace or expand a covered clinical service
- Make a covered capital expenditure for a clinical area in a licensed health facility if the project exceeds $3,325,000

Note: Thresholds are indexed annually by the department based on the Consumer Price Index.
Certificate of Need Application Process

File a Letter of Intent (LOI)
- MDHHS Processes within 15 Days

CON Application Filed
- Must be within one year of filing the LOI
- MDHHS evaluates completeness within 15 days

Application Review
- Non-Substantive Reviews are done in 45 days
- Substantive Reviews are done in 120 days
- Comparative Reviews are done in 150 days

MDHHS Director Issues Final Decision
Certificate of Need
FY 18 Data

- 371 Letters of Intent received and 99% processed within 15 days
- 174 Non-substantive Applications and 107 Substantive Applications were reviewed with 100% of decisions issued on time
  - 214 Applications approved
  - 65 Applications approved with conditions
  - 2 Applications disapproved
- 75 Amendment decisions were issued 100% on time
- 73 Waivers were processed