

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

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HOUSE BILL 126  
Senate Health Care Committee Substitute Adopted 6/27/19  
Senate Health Care Committee Substitute Adopted 7/15/19  
Fourth Edition Engrossed 7/24/19

Short Title: Amend Certificate of Need Laws.

(Public)

Sponsors:

Referred to:

February 21, 2019

1 A BILL TO BE ENTITLED  
2 AN ACT AMENDING CERTIFICATE OF NEED LAWS.  
3 The General Assembly of North Carolina enacts:

4  
5 **PART I. REFORMS EFFECTIVE JANUARY 1, 2020**

6 **SECTION 1.(a)** G.S. 131E-176 reads as rewritten:  
7 "**§ 131E-176. Definitions.**

8 As used in this Article, unless the context clearly requires otherwise, the following terms  
9 have the meanings specified:

10 ...

11 (7a) Diagnostic center. – A freestanding facility, program, or provider, including  
12 but not limited to, physicians' offices, clinical laboratories, radiology centers,  
13 and mobile diagnostic programs, in which the total cost of all the medical  
14 diagnostic equipment utilized by the facility which cost ten thousand dollars  
15 (\$10,000) or more exceeds ~~five hundred thousand dollars (\$500,000).~~ one  
16 million five hundred thousand dollars (\$1,500,000). In determining whether  
17 the medical diagnostic equipment in a diagnostic center costs more than ~~five~~  
18 ~~hundred thousand dollars (\$500,000),~~ one million five hundred thousand  
19 dollars (\$1,500,000) the costs of the equipment, studies, surveys, designs,  
20 plans, working drawings, specifications, construction, installation, and other  
21 activities essential to acquiring and making operational the equipment shall be  
22 included. The capital expenditure for the equipment shall be deemed to be the  
23 fair market value of the equipment or the cost of the equipment, whichever is  
24 greater. Beginning September 30, 2022, and on September 30 each year  
25 thereafter, the cost threshold amount in this subdivision shall be adjusted using  
26 the Medical Care Index component of the Consumer Price Index published by  
27 the U.S. Department of Labor for the 12-month period preceding the previous  
28 September 1.

29 ...

30 (14o) Major medical equipment. – A single unit or single system of components  
31 with related functions which is used to provide medical and other health  
32 services and which costs more than ~~seven hundred fifty thousand dollars~~  
33 ~~(\$750,000).~~ two million dollars (\$2,000,000). In determining whether the  
34 major medical equipment costs more than ~~seven hundred fifty thousand~~



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dollars ~~(\$750,000)~~, two million dollars (\$2,000,000), the costs of the equipment, studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the major medical equipment shall be included. The capital expenditure for the equipment shall be deemed to be the fair market value of the equipment or the cost of the equipment, whichever is greater. Major medical equipment does not include replacement equipment as defined in this section. Beginning September 30, 2022, and on September 30 each year thereafter, the cost threshold amount in this subdivision shall be adjusted using the Medical Care Index component of the Consumer Price Index published by the U.S. Department of Labor for the 12-month period preceding the previous September 1.

...

(16) New institutional health services. – Any of the following:

...

b. Except as otherwise provided in G.S. 131E-184(e), the obligation by any person of a capital expenditure exceeding ~~two million dollars (\$2,000,000)~~ four million dollars (\$4,000,000) to develop or expand a health service or a health service facility, or which relates to the provision of a health service. The cost of any studies, surveys, designs, plans, working drawings, specifications, and other activities, including staff effort and consulting and other services, essential to the acquisition, improvement, expansion, or replacement of any plant or equipment with respect to which an expenditure is made shall be included in determining if the expenditure exceeds ~~two million dollars (\$2,000,000)~~ four million dollars (\$4,000,000). Beginning September 30, 2022, and on September 30 each year thereafter, the amount in this sub-subdivision shall be adjusted using the Medical Care Index component of the Consumer Price Index published by the U.S. Department of Labor for the 12-month period preceding the previous September 1.

...."

**SECTION 1.(b)** G.S. 131E-184 reads as rewritten:

"§ 131E-184. Exemptions from review.

...

(e) The Department shall exempt from certificate of need review a capital expenditure that exceeds the ~~two million dollar (\$2,000,000)~~ four million dollar (\$4,000,000) threshold set forth in G.S. 131E-176(16)b. if all of the following conditions are met:

...

(g) The Department shall exempt from certificate of need review any capital expenditure that exceeds the ~~two million dollar (\$2,000,000)~~ four million dollar (\$4,000,000) threshold set forth in G.S. 131E-176(16)b. if all of the following conditions are met:

...

(i) Notwithstanding any other provision of law to the contrary, the Department shall exempt from certificate of need review services or facilities that already have a certificate of need when those services or facilities are replaced, renovated, or relocated to another site in the same county where need was originally determined."

**SECTION 1.(c)** G.S. 131E-189 is amended by adding two new subsections to read:

"(d) Notwithstanding any other provision of this section, a certificate of need for the construction of a health service facility expires if the holder of the certificate of need fails to

1 initiate construction of the project authorized by the certificate of need within the following time  
 2 frames:

3 (1) For a project that costs over fifty million dollars (\$50,000,000), the holder of  
 4 the certificate of need shall initiate construction of the project authorized by  
 5 the certificate of need within four years after the date the Department's  
 6 decision to approve the certificate of need for that project becomes final.

7 (2) For a project that costs fifty million dollars (\$50,000,000) or less, the holder  
 8 of the certificate of need shall initiate construction of the project authorized  
 9 by the certificate of need within two years after the date the Department's  
 10 decision to approve the certificate of need for that project becomes final.

11 (e) Notwithstanding any other provision of this Article, a certificate of need that has not  
 12 been used at any point in the immediately previous 12 months will expire."

13 **SECTION 1.(d)** G.S. 131E-147 reads as rewritten:

14 "**§ 131E-147. Licensure requirement.**

15 ...

16 (c1) All initial applications and renewal applications shall require the applicant to state the  
 17 number of procedure rooms on, and the number and type of procedures performed at, the  
 18 premises named in the application.

19 ...."

20 **SECTION 1.(e)** This part becomes effective January 1, 2020.

21  
 22 **PART II. REFORMS EFFECTIVE 18 MONTHS AFTER THE BILL BECOMES LAW**

23 **SECTION 2.(a)** G.S. 131E-176 reads as rewritten:

24 "**§ 131E-176. Definitions.**

25 As used in this Article, unless the context clearly requires otherwise, the following terms  
 26 have the meanings specified:

27 ...

28 (9b) Health service facility. – A hospital; long-term care hospital; ~~psychiatric~~  
 29 ~~facility~~; rehabilitation facility; nursing home facility; adult care home; kidney  
 30 disease treatment center, including freestanding hemodialysis units;  
 31 intermediate care facility individuals with intellectual disabilities; home  
 32 health agency office; ~~chemical dependency treatment facility~~; diagnostic  
 33 center; hospice office, hospice inpatient facility, hospice residential care  
 34 facility; and ambulatory surgical facility.

35 (9c) Health service facility bed. – A bed licensed for use in a health service facility  
 36 in the categories of (i) acute care beds; (ii) ~~psychiatric beds~~; (iii) ~~rehabilitation~~  
 37 ~~beds~~; (iv) ~~(iii)~~ nursing home beds; (v) ~~(iv)~~ intermediate care beds for the  
 38 mentally retarded; (vi) ~~chemical dependency treatment beds~~; (vii) ~~(v)~~ hospice  
 39 inpatient facility beds; (viii) ~~(vi)~~ hospice residential care facility beds; (ix)  
 40 ~~(vii)~~ adult care home beds; and (x) ~~(viii)~~ long-term care hospital beds.

41 ...

42 (16) New institutional health services. – Any of the following:

43 ...

44 d. ~~The~~ Except as otherwise provided in G.S. 131E-184(j), the offering of  
 45 dialysis services or home health services by or on behalf of a health  
 46 service facility if those services were not offered within the previous  
 47 12 months by or on behalf of the facility.

48 ...

49 ~~r.~~ The conversion of a specialty ambulatory surgical program to a  
 50 multispecialty ambulatory surgical program or the addition of a  
 51 specialty to a specialty ambulatory surgical program.

...."

**SECTION 2.(b)** G.S. 131E-184(c) reads as rewritten:

"(c) The Department shall exempt from certificate of need review any conversion of existing acute care beds to psychiatric ~~beds, beds provided all of the following are true:~~

(1) ~~The hospital proposing the conversion has executed a contract with the Department's Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, one or more of the area mental health, developmental disabilities, and substance abuse authorities, or a combination thereof to provide psychiatric beds to patients referred by the contracting agency or agencies.~~

(2) ~~The total number of beds to be converted shall not be more than twice the number of beds for which the contract pursuant to subdivision (1) of this subsection shall provide."~~

**SECTION 2.(c)** G.S. 131E-184, as amended by Section 1(b) of this act, is amended by adding new subsections to read:

"(j) The Department shall exempt from certificate of need review the development, acquisition, construction, expansion, or replacement of a health service or health service facility that obtained certificate of need approval prior to October 1, 2019, as a psychiatric facility or chemical dependency treatment facility.

(k) The Department shall exempt from certificate of need review the establishment of a home health agency by a continuing care retirement community licensed under Article 64 of Chapter 58 of the General Statutes to provide home health services to one or more residents of a continuing care retirement community who have entered into a contract with the continuing care retirement community to receive continuing care services with lodging. A continuing care retirement community that seeks to provide home health services to individuals who do not reside at the continuing care retirement community pursuant to a contract to receive continuing care services with lodging shall be required to obtain a certificate of need as a home health agency prior to developing or offering home health services to any individual not a resident of the continuing care retirement community under a contract to receive continuing care services with lodging. As used in this subsection, the terms "continuing care" and "lodging" are as defined in G.S. 58-64-1. Nothing in this subsection shall be construed to exempt from the State's home health agency licensure and certification requirements a continuing care retirement community that has been exempted from certificate of need review for the provision of home health services to one or more residents pursuant to this subsection."

**SECTION 2.(d)** G.S. 131E-184(k), as enacted by this section, applies to continuing care retirement communities engaged in the direct provision of home health services 18 months after this act becomes law.

**SECTION 2.(e)** Section 12F.4(b) of Session Law 2016-94 reads as rewritten:

"**SECTION 12F.4.(b)** The Secretary shall select hospitals in the three State regions for institutional services (Eastern Region, Central Region, and Western Region) to receive funds allocated under subsection (a) of this section for the construction, conversion, or both of short-term, inpatient behavioral health beds in rural areas of the State. Notwithstanding the State Medical Facilities Plan, Article 9 of Chapter 131E of the General Statutes, or any other provision of law to the contrary, each selected rural hospital that receives funds allocated under subsection (a) of this section shall be allowed to construct new or convert unused acute care beds into licensed, inpatient behavioral health beds without undergoing certificate of need review by the Division of Health Service Regulation. All newly constructed or converted beds shall be subject to existing licensure laws and requirements. As a condition of receiving these funds, each selected rural hospital shall reserve at least ~~fifty percent (50%)~~ twenty-five percent (25%) of the constructed or converted beds for (i) purchase by the Department under the State-administered, three-way contract and (ii) referrals by local management entities/managed care organizations

1 (LME/MCOs) of individuals who are indigent or Medicaid recipients. Any hospital unit or other  
2 location with short-term, inpatient behavioral health beds constructed or converted with funds  
3 allocated under subsection (a) of this section shall be named in honor of Dorothea Dix."  
4

5 **PART III. SEVERABILITY**

6 **SECTION 3.** If any part of this act is declared unconstitutional or invalid by the  
7 courts, it does not affect the validity of this act as a whole or any part other than the part declared  
8 to be unconstitutional or invalid.  
9

10 **PART IV. EFFECTIVE DATE**

11 **SECTION 4.** Except as otherwise provided, this act is effective when it becomes  
12 law. Part II is effective 18 months after this act becomes law.