

LBA Performance Audit Report Summary:

Health Services Planning and Review Board Performance Audit Report - January 1998

New Hampshire's certificate of need program (CON) regulates all newly proposed institutional health services by creating a system that seeks to avoid unnecessary duplication of health services, contain or reduce increases in the cost of delivering services, and promote rational allocation of health care resources in New Hampshire (RSA 151-C). As part of that system, the Health Services Planning and Review Board is responsible for:

1. Developing and reviewing standards of need for New Hampshire's health care system;
2. Soliciting and reviewing applications for certificates of need; and
3. Issuing and monitoring certificates of need.

The board is required by State law to examine certain health care projects that meet any one of the following criteria:

- Acute care capital expenditures over an annually adjusted threshold (starting at \$1,500,000 in 1995);
- Nursing home, ambulatory surgical facility, rehabilitation hospital, and psychiatric hospital capital expenditures over an annually adjusted threshold (starting at \$1,000,000 in 1995);
- Medical equipment over \$400,000;
- Transfer of ownership of an existing health care facility; or
- Any new health service that can be developed or offered.

During the audit period of March 1993 through September 1997, the board approved 24 out of 27 applications for certificates of need, denied two applications, and had one withdrawn.

Board Actions and Decisions Must Be Made In Accordance With State Law

We identified board members who either were late filing, or did not file, required financial interests statements. This could result in board decisions being unnecessarily challenged. Six certificates of need were approved without appropriate standards being developed as required by State law. In addition, we found in some cases the board allowed abbreviated applications to be submitted for projects. There is no provision in the law or rules for an abbreviated application review.

We recommend the board:

- Comply with State law by submitting timely statements of financial interests with the Secretary of State;
- Award CONs in accordance with State law and develop standards when required; and
- Stop accepting and approving abbreviated CON applications.

Financial Oversight Must Be Strengthened

The board overbilled health care providers by more than \$260,000 from State fiscal year 1993 to 1996. This was primarily due to a board rule that conflicts with State law. The board also did not consistently nor accurately increase capital expenditure thresholds for inflation in accordance with State law. These thresholds are important because projects under the thresholds do not have to bear the expense and burden of going before the board for approval. In addition, we question the static inflation index the board adopted because it may misstate inflation. Many board members reported they do not get involved with budgetary matters. This may have contributed to these problems.

We recommend the board:

- Amend administrative rules to reflect the statute. Ensure sufficient oversight of financial matters;
- Adopt and apply an appropriate inflation index to capital expenditure thresholds and ensure requests for applications contain correct thresholds; and
- Take a more active role in overseeing its financial matters, including adopting its budget and submitting it through the Department of Health and Human Services.

File Management Needs Improvement

We found the certificate of need files did not contain all required information. Staff agreed that required notices of meetings were not consistently placed in the files. Implementation reports required by State law were not consistently filed by CON recipients. These reports are important tools to determine if projects have been commenced and completed within statutorily established time limits. In addition, two required tape recordings of pre-hearing conferences were not found.

We recommend the board:

- Ensure staff adhere to and document notice requirements within CON files;
- Amend rules to accurately reflect approved project reporting timelines;
- Track and enforce report filing; and
- Retain and appropriately file required audio tapes.