

## CERTIFICATE-OF-NEED LAWS



# MARYLAND STATE PROFILE

Certificate-of-need (CON) laws require healthcare providers to obtain permission before they open or expand their practices or purchase certain devices or new technologies. Applicants must prove that the community “needs” the new or expanded service, and existing providers are invited to challenge would-be competitors’ applications. CON laws have persisted in spite of mounting evidence from health economists, regulatory economists, and antitrust lawyers showing that these laws fail to achieve their intended goals. The following charts are based on studies comparing outcomes in states that have CON laws with outcomes in those that do not. These comparisons account for socioeconomic differences and differences in the underlying health of the populations across states. The studies give some insight into what is likely to happen in a Maryland without CON laws.



### HEALTHCARE SERVICES THAT REQUIRE A CON IN MARYLAND

Acute Hospital Beds

Ambulatory Surgical Centers (ASCs)

Assisted Living/Residential Care Facilities

Burn Care

Cardiac Catheterization

Home Health

Hospice

Intermediate Care Facilities for Individuals with Intellectual Disability (ICF/IDs)

Long-Term Acute Care (LTAC)

Neonatal Intensive Care

Nursing Home Beds/Long-Term Care Beds

Obstetrics Services

Open-Heart Surgery

Organ Transplants

Psychiatric Services

Rehabilitation

Substance/Drug Abuse

# SPENDING

Research finds that CON laws are associated with higher healthcare spending per capita and higher physician spending per capita.

## Estimated changes in annual per capita healthcare spending patterns in Maryland without CON

### TOTAL HEALTHCARE SPENDING



### PHYSICIAN SPENDING

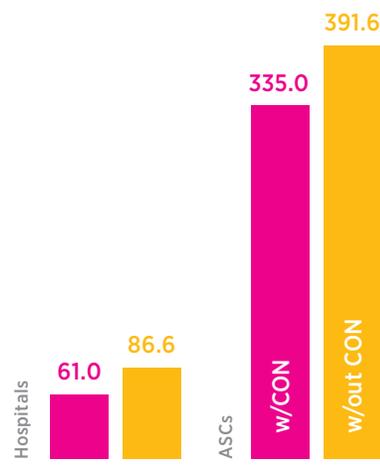


# ACCESS

Comparing rural areas in CON states with rural areas in non-CON states, research finds that the presence of a CON program is associated with fewer rural hospitals. A subset of CON states specifically regulate the entry of ambulatory surgical centers (ASCs), which provide healthcare services and compete with traditional hospitals. These states have fewer rural ASCs.

Research also finds that states with CON programs have fewer hospitals in general (in rural and nonrural areas alike), and states with ASC-specific CON regulations have fewer ASCs in general.

## Estimated changes in access to healthcare facilities in Maryland without CON



TOTAL FACILITIES

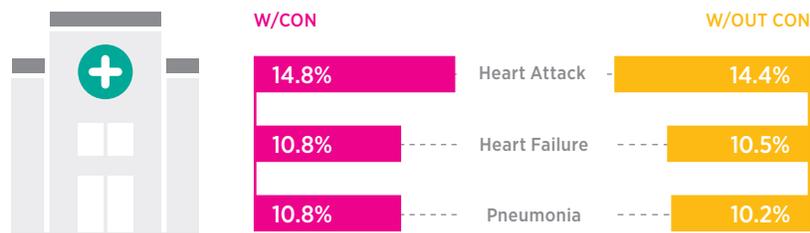


RURAL FACILITIES

# QUALITY

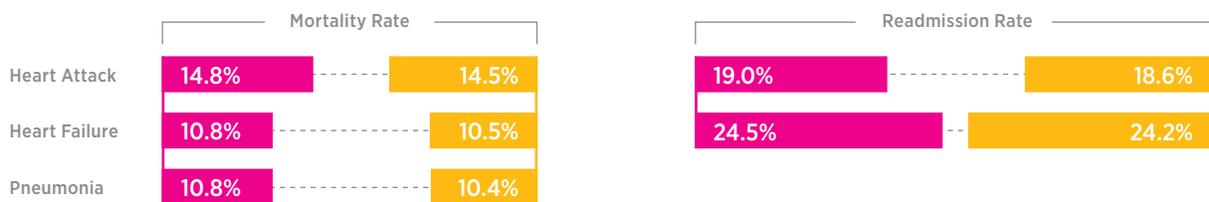
Supporters of CON suggest that these regulations positively impact healthcare quality, but research finds that the quality of hospital care in CON states is not systematically higher than the quality in non-CON states. In fact, mortality rates for pneumonia, heart failure, and heart attacks, as well as patient deaths from serious complications after surgery, are statistically significantly higher in hospitals in states with at least one CON regulation.

## Estimated changes in Maryland healthcare quality indicators (full sample, at least one CON law)



Maryland is one of 32 states with four or more CON restrictions. The effects of CON regulations may be cumulative, meaning states with more entry restrictions may experience larger quality differences than states with fewer restrictions. Research finds that states with four or more CON laws have systematically lower-quality hospitals than non-CON states. The effect is evident across other quality indicators, including the share of patients surveyed giving their hospital the highest overall quality rating, heart failure readmission rate, and heart attack readmission rate.

## Estimated changes in Maryland healthcare quality indicators (restricted sample, four or more CON laws)



### Patient Ratings

Estimated increase in proportion of patients who would rate their hospital at least 9 out of 10 without CON



Findings on heart failure readmission rates, heart attack readmission rates, and the percentage of patients giving their hospital a 9 out of 10 or 10 out of 10 overall rating were statistically significant only in the restricted sample of states that regulate four or more services with certificate of need.

This study uses an identification strategy that exploits the fact that, on occasion, a local healthcare market is divided between two states, one with a CON law and the other without. Four is the median number of CON laws for CON states in this subsample.

The survey referred to is the Hospital Consumer Assessment of Healthcare Providers and Systems survey. It was developed by the Centers for Medicare and Medicaid Services in partnership with the Agency for Healthcare Research and Quality, and it is based on a standardized instrument and data collection methodology that allows for cross-hospital comparisons of patients' experiences related to different aspects of care. "Highest overall quality rating" is defined as a 9 out of 10 or 10 out of 10 rating on the survey.

Maryland does not have data for deaths among patients with serious complications after surgery. We therefore cannot estimate this death rate in a Maryland without CON. Research suggests, however, that—in general—states without CON laws have around 6 fewer deaths per 1,000 surgical discharges with complications.

Some states have added CON requirements for particular services since these analyses were conducted; the states with such new requirements are not visualized. For the latest information on which states regulate which procedures through CON, see Christopher Koopman and Anne Philpot, "The State of Certificate-of-Need Laws in 2016," Mercatus Center at George Mason University, September 27, 2016.

Source: Thomas Stratmann and David Wille, "Certificate-of-Need Laws and Hospital Quality" (Mercatus Working Paper, Mercatus Center at George Mason University, Arlington, VA, 2016).