



Analytics

Published by the Caesar Rodney Institute

RELEASE: CRI - Center for Economic Policy and Analysis

RE: Eliminate the health care CON in Delaware – More evidence

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As related in a previous CRI release, in 1974, Congress passed the National Health Planning and Resources Development Act, which made certain Federal funding conditional upon states implementation of Certificate of Need (CON) laws. These laws require those who wish to open new healthcare facilities, expand existing facilities, or even purchase new equipment to obtain state regulator permission.

Since the National law was repealed in 1986, 15 states have eliminated their CON laws. The Mercatus Center of George Mason University has used the situation to econometrically compare CON law states with non-CON law states.

Mercatus has used the econometric results to estimate the impacts on Delaware healthcare should the State's CON law be repealed. The results are summarized below and are instructive. They show the benefits from increased competition in Delaware healthcare services.

SPENDING: Delaware ranks 3rd per capita in health care spending among the states. The repeal of the Delaware CON laws is estimated to reduce per capita healthcare spend by \$270 and physician spending by \$99 per capita.

ACCESS: Repeal of Delaware's CON law is estimated to increase the number of hospitals by 40%, the number of ambulatory surgical centers by 17%, the supply of medical imaging by nonhospital providers by 80%, and decrease out of state visits for healthcare services by 4%.

QUALITY: With increased competition in the supply of healthcare services, some are concerned with a decline in the quality of those services. With respect to the mortality rates and readmission rates from heart attacks and heart failure, Mercatus expects the repeal of the Delaware CON system to have no significant effect. Mercatus also expects an increase in patient ratings of hospitals and a decrease in post-surgery complications.

As with any quantitative research, there is a margin of error in the Mercatus analysis for Delaware. Nevertheless, **the bottom line is that based upon the experience of other states an increase in supply-side competition (dropping CON barriers to entry) in the Delaware healthcare industry will reduce prices, increase access, and have no negative effect on the quality of care.**

Runaway healthcare spending is breaking the state government's budget. State spending on Medicaid is \$770M, the largest single item in the state's budget. Medicaid spending is starting to crowd out spending on other State functions, such as education. The State's unfunded health care liability to State government retirees exceeds \$7 billion and is climbing.



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The decisions of Delaware's Health Resources Board need to be examined. Has the Board systematically limited competition from entering the State's health care market to the benefit of current health care providers already practicing in Delaware? Has the tortuous Delaware CON process raised healthcare prices and reduced access to healthcare?

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