

# Certificate of Need in Michigan

*Preserving Cost-effective, High-quality Healthcare for All*



**Certificate of Need (CON) is a program that ensures only needed services are developed in Michigan. CON benefits Michiganders by ensuring high-quality, accessible, cost-effective care for patients in our state.**

## How does CON work?

An entity (health facility, physician, group practice, etc.) proposing any of the following types of projects must obtain CON approval from MDHHS, applying the standards set by the CON Commission, to:

- › Increase in the number of licensed beds or the relocation of licensed beds from one site to another.
- › Acquire an existing health facility.
- › Begin operating a new health facility.
- › Start, replace or expand of certain medical services.

Covered entities include:

- › Hospitals.
- › Psychiatric hospitals or units.
- › Nursing home and hospital long-term care units.
- › Freestanding surgical outpatient facilities.
- › Health maintenance organizations, or HMOs (on occasion).

The entity informs MDHHS of its intent to apply for a CON and completes an application.

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The MDHHS reviews the application within specific timeframes and guidelines.

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The MDHHS either issues a decision on the application or it proceeds for additional review at the request of the application.

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If further consideration is given, a final decision is issued.

## What is Certificate of Need, or CON?

CON is a state regulatory program governed by an independent Commission appointed by Michigan's governor. The Commission is a bipartisan, 11-member group comprised of representatives from hospitals, nursing homes, medicine, nursing, medical education, employers, organized labor and health insurers. It reviews the capacity, access, need and costs related to healthcare services provided across Michigan. By maintaining standards for these services, Michigan ensures it does not have a surplus of costly facilities or services provided by organizations with inadequate expertise. **The goal of Michigan's**

**CON program is to protect healthcare customers from excess or low-quality healthcare services and the costs associated with them.**

## Does the CON program get to intervene in all types of medical services?

No. The CON program and Commission operate within very strict boundaries and can make decisions only about a small set of health services that, if unchecked, can contribute massive cost and quality risk to patients and customers across Michigan. In other states, unregulated proliferation of certain advanced medical services and facilities has led to lower average patient volume, which can lead to dilution of proficiency and negatively impact quality.

## How does Michigan's CON program affect healthcare costs?

A number of independent studies have shown that a strong CON program, like Michigan's, can lead to significantly lower costs for patients and businesses. The business community in Michigan strongly supports our CON program, and Michigan's hospital costs have consistently been shown to be among the lowest in the nation and lower than all other Great Lakes states. In fact, a 2019 RAND Health Study found that hospital systems' average prices for employer health plans in Michigan were 156% of Medicare, the lowest among the 25 states included in the study.

## Does CON discourage competition?

Michigan's unique CON law simply sets an equal playing field for all providers. Michigan's CON Commission doesn't choose winners and losers. Rather, it sets standards for access and quality of care to protect consumers from harm. **The CON Commission does not approve or reject individual healthcare provider applications.** Any healthcare provider or organization can apply to the Michigan Department of Health and Human Services (MDHHS) CON review section and if the applicant demonstrates that it can meet the standards set by the CON Commission, the CON will be approved by MDHHS.

## How does CON promote access to care?

CON review standards take into consideration the needs of patients in rural and less populated areas to help assure needed services are available. In some instances, this means setting different volume standards or providing other allowances to providers in these areas. States without CON programs have seen more and more specialty and for-profit services and facilities that serve only well-insured patients with less complex conditions. Without these protections, many patients could be at risk of losing access to certain treatments due to travel distance or inability to pay.

## How does the CON Commission set standards?

The Commission reviews the standards on a three-year cycle to determine if they need to be updated and appoints Standard Advisory Committees composed of experts to evaluate and make recommendations on new standards. After the Commission takes a proposed action to amend or create a standard, it solicits public comment on the proposed language. Following final action, it is forwarded to the Joint Legislative Committee and the governor for review and takes effect if it is not rejected by a concurrent resolution of both houses of the Legislature or the governor. Once the new standards take effect, MDHHS applies the new criteria to any new applicant. Previously approved entities are subject to the requirements in place at the time they were approved until they seek approval for a new project. All meetings of the Commission are open to the public with records posted on the MDHHS CON website.