

CERTIFICATES OF NEED AND CONVENIENCE

How They Limit Health-Care Investment and Access in Puerto Rico

Ángel Carrión-Tavárez • Jaimie Cavanaugh • <https://doi.org/10.53095/13584021> • August 2026



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What are the certificates of need and convenience?

Certificate-of-need (CON) laws are state- or territory-level regulatory regimes that condition the entry or expansion of certain health-care facilities and services on prior approval by a government agency.

DID YOU KNOW THAT...?

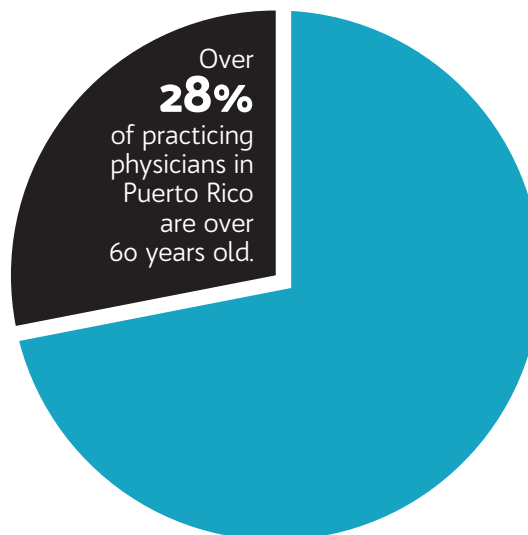
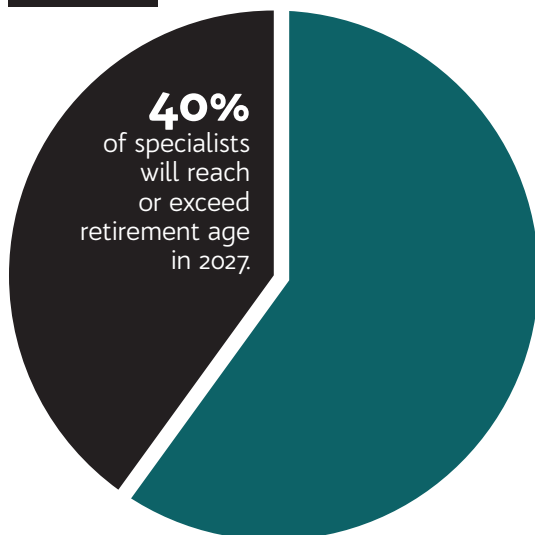
- 1 A Certificate of Need and Convenience is not a professional health license; it is a government process to determine whether a new or expanded service is “needed”.
- 2 The Certificate of Need and Convenience does not only regulate hospitals; it also covers outpatient surgery centers, clinics, laboratories, diagnostic imaging services, home health services, hospices, and other services.
- 3 CON-type regulation tends to act as a barrier to entry that protects established providers.
- 4 In Puerto Rico, the Certificates of Need and Convenience Act was brought into alignment with Federal Public Law 93-641, known as the National Health Planning and Resources Development Act of 1974 (1975). In light of the negative findings of that act, the federal law was formally repealed in 1986.
- 5 The CON process disadvantages new entrants and smaller suppliers, who often lack the resources needed to navigate complex administrative procedures or respond effectively to challenges filed by established competitors.

“My colleague and I—two ophthalmologists from the western region—sought to establish a refractive laser surgery center and attempted to obtain a certificate of need and convenience. It was a million-dollar investment, and we had secured financing from a group of physicians and the equipment supplier. We had also identified a location for the center and demonstrated market demand. Unfortunately, we were unable to obtain the Certificate. The project collapsed, and we lost the investment we had already made. Years ago, the western region could have had an ambulatory laser surgery center, but it never materialized because we could not secure the Certificate.

Another example is that at the facility where I perform ambulatory surgery, there are two operating rooms and space for a third. Physicians are available to operate at full capacity across all three rooms, but the additional room has not been opened due to the requirement to obtain a certificate of need and convenience. These experiences illustrate not only how the CNC Act can prevent significant investments from moving forward, but also why some stakeholders refrain from pursuing health-care ventures in Puerto Rico—or do not apply for a CNC at all—based on the expectation that approval will not be granted, with a significant impact on healthcare accessibility.”

Source. Interview with a physician from Puerto Rico’s western region.

FACTS:



3x more

the average spending
on health care
(\$15,400)
in the United States
than in Puerto Rico
(\$5,400).



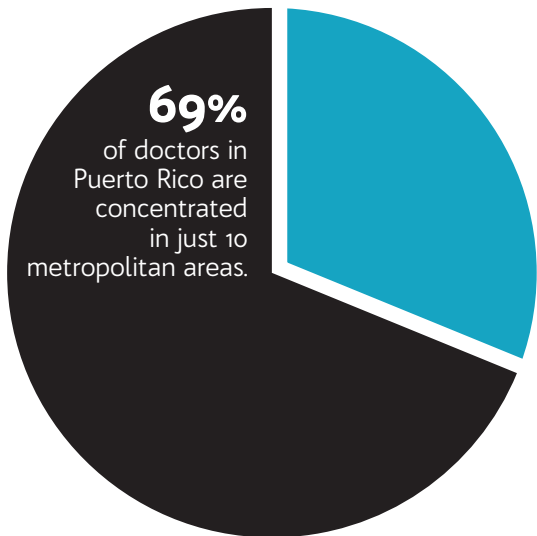
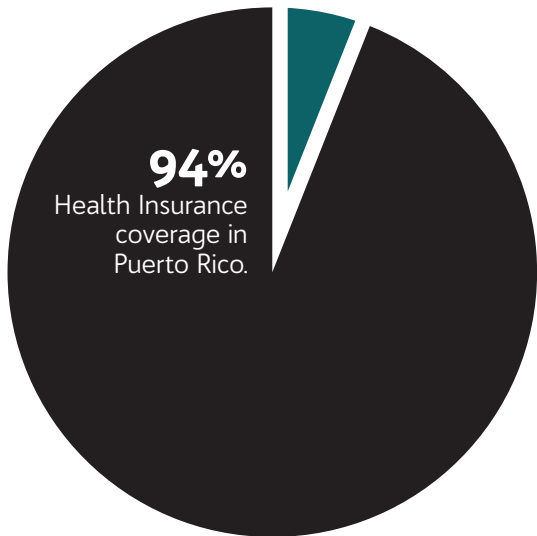
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365 to 500

doctors have left Puerto Rico
every year over the past decade.

12 U.S. states

no longer have
certificate-of-need programs.

Over 24

U.S. states have reformed or reduced
their requirements.

What does the evidence say about certificates of need?

- 1 Medicare imposes standards for safety, reporting, staffing, facilities, and billing integrity. The requirement for a certificate of need and convenience duplicates oversight mechanisms that already exist.
- 2 Certificate-of-need laws were originally promoted as tools for controlling costs, but decades of evidence have not shown consistent savings for patients.
- 3 More than **128** studies and more than **450** empirical findings have shown that certificate-of-need laws restrict supply and protect incumbent providers.

The public policy question is whether Puerto Rico's certificate of need and convenience facilitates timely access to health care services or, on the contrary, **delays investment, limits competition, and restricts the availability of services.**

What should be the way forward?

- 1 Moving away from discretionary barriers to entry and adopting modern oversight mechanisms focused on safety and fraud prevention.
- 2 Oversight of the healthcare system should focus on quality, transparency, and accountability, not on limiting the supply of services.
- 3 Patient safety must not require blocking the entry of new providers; rather, it is achieved through licensing, inspections, oversight, and quality reports.
- 4 Reforming the certificates of need and convenience to make it easier for more people to access health care services, without unnecessary regulatory barriers.

RECOMMENDATIONS:

- Promote repeal through specific alternative mechanisms that address legitimate state interests.
- Adopt a limited CNC model with clear exemptions.
- Select an implementation path: complete repeal or phased reform.

