

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1112-01
Bill No.: SB 229
Subject: Health Department; Health, Public; Hospitals; Nurses
Type: Original
Date: February 16, 2009

Bill Summary: This legislation requires the posting of nurse staffing levels at hospitals.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| General Revenue | (\$339,042) | (\$243,909) | (\$102,834) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (\$339,042) | (\$243,909) | (\$102,834) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| General Revenue | 1 FTE | 1 FTE | 1 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 1 FTE | 1 FTE | 1 FTE |

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2010 | FY 2011 | FY 2012 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Section 197.296:

Officials from the **Department of Insurance, Financial Institutions & Professional Registration (DIFP)** state that having reviewed the proposed legislation and having sought the conclusion of the appropriate board(s), DIFP are of the opinion that this proposal in its present form has no fiscal impact to the Department.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Mental Health (DMH)** state the DMH does not operate facilities that are licensed under chapter 197, RSMo. Therefore, there should be no fiscal impact resulting from this legislation.

Officials from the **Department of Social Services** state the legislation does not revise Chapter 208, RSMo therefore it does not affect MO HealthNet eligibility or benefits.

This legislation does revise Chapter 376, RSMo. The MO HealthNet Division (MHD) assumes that since there is no specific exemption for contracts with the state, the legislation will pertain to HMOs that contract with the state to provide health benefits to MO HealthNet Managed Care participants.

ASSUMPTION (continued)

MHD recognizes there may be additional costs of doing business for HMOs if this legislation passes and that those costs may be passed on to the MHD. MHD may incur additional costs for an actuarial analysis to determine if capitated rates should be adjusted for the additional costs incurred by the HMO.

If an actuarial analysis is needed it will occur in the first year and is a one-time cost. The cost of the analysis will depend on the number of program changes that will need to be analyzed as well as the complexity of those changes. This cost is unknown but may be as high as \$100,000. Since this is an administrative cost there will be a 50% federal match rate.

If the HMOs are required to provide additional benefits and the MHD's current rates don't support those costs, the actuary may require an increase in capitated rates to ensure actuarial soundness.

If this occurs the cost to the MHD is unknown. These additional costs would occur in the second and third years.

FY10: Total cost is unknown < \$100,000 (GR unknown < \$50,000)

FY11: Total cost is unknown

FY12: Total cost is unknown

Oversight assumes, because the potential for an actuarial analysis and increase in capitated rates is speculative, that the MHD will not incur significant costs related to this proposal. If a fiscal impact were to result, the MHD may request additional funding through the appropriations process.

Officials from the **Department of Health and Senior Services (DHSS)** state the Division of Regulation and Licensure would need two additional Health Facility Nursing Consultants (HFNC) to perform the following activities:

1. Work with ITSD in the development and implementation of the online reporting system;
2. Develop and provide information and reference material to the hospitals regarding the submission process;
3. Develop quarterly written explanations to assist the public with interpretation of data;
4. Monitor the hospitals submissions and impose sanctions for non-compliance when applicable; and
5. Draft and promulgate rules.

ASSUMPTION (continued)

Standard E&E costs associated with the two FTE are included. FY10 is for 12 months.

Office of Administration, Information Technology Service Division (ITSD) will develop an online system to capture the following information from every hospital on a monthly basis:

1. The number of registered professional nurses providing direct patient care and the ratio of registered professional nurses to patients;
2. The number of licensed practical nurses providing direct patient care and the ratio of licensed practical nurses to patients;
3. The number of certified nurse aides providing direct patient care and the ratio of certified nurse aides to patients; and
4. The methods used by the hospital for determining and adjusting direct patient care staffing levels.

Once captured, this information would be made available via the DHSS Public Website.

The following ITSD costs will apply:

- \$215,280 and \$143,520 respectively for the first and second year for the consultant cost for high level database and programming skills for the application;
- One Computer Information Technology Specialist I (\$47,184), full time, to provide business analysis, programming and support of the application;
- One Computer Information Technology Specialist II (\$55,548), one-half time, to provide project management, development support, and administration/maintenance of the application;
- \$10,144 for the hardware purchase and leasing for current and subsequent years;
- \$30,000 for the software purchase in the first year; and
- \$8,700 for the software maintenance for all subsequent years.

* Standard expense and equipment costs would be needed for two FTE, for other expense items, 1.5 FTE was utilized. FY10 is for 12 months.

Oversight assumes the DHSS could absorb a 2 HFNC FTE's and one-half CITS-II FTE. Oversight has, for fiscal note purposes only, changed the starting salary for the DHSS positions to correspond to the first step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on

Legislative Research.

| <u>FISCAL IMPACT - State Government</u> | FY 2010 | FY 2011 | FY 2012 |
|---|---------------------------|---------------------------|---------------------------|
| GENERAL REVENUE FUND | | | |
| <u>Costs - Department of Health and Senior Services</u> | | | |
| Personal Service | (\$47,635) | (\$49,065) | (\$50,536) |
| Fringe Benefits | (\$23,165) | (\$23,860) | (\$24,576) |
| Equipment and Expense | (\$12,818) | (\$8,620) | (\$8,878) |
| Program Costs | <u>(\$255,424)</u> | <u>(\$162,364)</u> | <u>(\$18,844)</u> |
| <u>Total Costs - DHSS</u> | <u>(\$339,042)</u> | <u>(\$243,909)</u> | <u>(\$102,834)</u> |
| FTE Change - DHSS | 1 FTE | 1 FTE | 1 FTE |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>(\$339,042)</u> | <u>(\$243,909)</u> | <u>(\$102,834)</u> |
| Estimated Net FTE Change for General Revenue Fund | 1 FTE | 1 FTE | 1 FTE |
| | | | |
| <u>FISCAL IMPACT - Local Government</u> | FY 2010 | FY 2011 | FY 2012 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

Small businesses that operate hospitals will have additional reporting requirements.

FISCAL DESCRIPTION

Section 197.296:

The proposed legislation requires hospitals, beginning January 1, 2010, to compile, post and make available upon request, daily staffing information in the patient care area of each unit of the hospital. The staffing information shall contain the number of registered professional nurses, licensed practical nurses, and certified nurse aides providing direct patient care in the hospital.

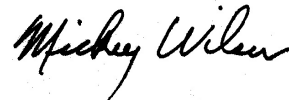
Each hospital is also required to compile the daily information and submit a monthly staffing report to the Department of Health and Senior Services.

FISCAL DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Health and Senior Services
Department of Social Services
Office of the Secretary of State



Mickey Wilson, CPA
Director
February 16, 2009