

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0682-04
Bill No.: Perfected HCS for HB 351
Subject: Hospitals; Health Care; Health, Public; Hospitals; Licenses - Miscellaneous
Type: Original
Date: April 17, 2013

Bill Summary: This proposal changes the requirements for hospital licensure and inspections.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

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 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

House Amendment #1:

Due to time restrictions, **Oversight** assumes House Amendment #1 will have no fiscal impact on any organization.

Original HCS for HB 351:

Officials from the **Department of Health and Senior Services (DHSS)** state section 197.080.2 of the proposed legislation would require the DHSS to review and revise hospital licensure and enforcement regulations in order to promote hospital and regulatory efficiencies and eliminate duplicative regulations and inspection by state and federal agencies. The DHSS is currently involved in a comprehensive review and revision of the existing hospital regulations and, therefore, assumes there to be no fiscal impact to implement the rule review/revision part of the proposed legislation.

Section 197.080.2(1) of the proposed legislation states that each finding of a regulatory deficiency must refer to the associated written interpretive guidance that forms the basis for the citation. There are currently no interpretive guidelines for state regulations. Such guidelines would have to be developed and updated on a continuous basis. One Health Facilities Nursing Consultant position will be required in order to analyze all hospital-related rules (currently 48 rules), research and write the initial set of interpretive guidelines, and provide continuous updates. Standard expense and equipment costs are included for the new position.

Section 197.080.2(3)(c) would require DHSS to provide a report of all complaints made against the hospital. The report must include the nature of the complaint, the date of the complaint, the department conclusions regarding the complaint, the number of investigators and days of investigation resulting from each complaint. The DHSS assumes this function can be absorbed with existing resources.

Section 197.080.2(4) would require DHSS to provide hospital and hospital representatives the opportunity to participate in annual training sessions provided to state licensure surveyors at least annually. This section also states that hospitals and hospital representatives shall assume all costs associated with facilitating the training sessions and use of curriculum materials. The DHSS currently provides an annual surveyor training session each fall. Currently, only select industry members are invited to attend due to cost factors and facility requirements. If this proposal were to pass, DHSS would be required to provide a training session to accommodate the entire hospital industry and any representatives of the industry. At present, there are 166 hospitals in Missouri. At a minimum, space and materials for the training would need to

ASSUMPTION (continued)

accommodate 166 additional attendees. It is assumed the DHSS would be allowed to charge a registration fee to all hospital and hospital representatives to cover all costs associated with the training. This fee would include such costs as meeting room rental, audio-visual equipment, copying of materials, provided meals and breaks, etc. The DHSS assumes this fee would cover all additional costs associated with conducting the training sessions. If this is not the case, the department assumes additional resources would be needed to allow hospitals to attend the department's training sessions.

The proposed legislation's changes to Section 197.100.1 would require the DHSS to accept reports of hospital inspections from other governmental and recognized accrediting organizations in lieu of annual state inspections. Currently, licensure inspections are performed simultaneously during certification surveys mandated by the Center for Medicare and Medicaid Services (CMS) or incorporated with complaint investigations. Since these activities would need to be continued to meet federal mandates, there is considered to be no cost savings associated with accepting these reports instead of doing a state inspection.

The DHSS estimates FY 14 costs of \$78,957 to the General Revenue Fund; FY 15 costs of \$88,699; and FY 16 costs of \$89,587.

Oversight assumes the DHSS could absorb the additional guideline caseload that may result from this proposal under section 197.080.2(1), with existing resources.

Officials from the **Department of Social Services - MO HealthNet Division (MHD)** state this legislation changes various provisions regarding the licensure and inspection of hospitals. There is a possibility of administrative cost savings to a hospital as a result of less time involved in inspections if the Department of Health and Senior Services (DHSS) reduces the number of inspections or combines them with other processes which are performed by DHSS or other authorized agencies. These requirements may result in a cost savings to hospitals, but the amount is unknown.

MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Since the first requirement is effective August 28, 2013, the reduced cost would begin to be reflected in 2017 cost reports. MHD would use 2013 cost reports to establish reimbursement for SFY 17. Therefore, there would not be a fiscal impact to the MHD for FY 14, FY 15 and FY 16, but starting FY 17, there could be a cost savings, but the amount is unknown.

Officials from the **Office of 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 Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact

ASSUMPTION (continued)

for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized 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 within its 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.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

In response to the earlier version of this proposal, officials from the **Barton County Memorial Hospital** assumed the proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal requires the Department of Health and Senior Services to provide the opportunity for hospitals and their representatives to participate in annual training sessions provided to state licensure surveyors. Some hospitals may meet the definition of a small business and would, therefore, need to assume all costs associated with the participation in this training as stated in the proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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 Health and Senior Services
Department of Social Services -
 MO HealthNet Division
Joint Committee on Administrative Rules
Office of Secretary of State
Barton County Memorial Hospital



Ross Strope
Acting Director
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