

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4759-01  
Bill No.: SB 684  
Subject: Health Care; Hospitals; Health Department; Health Care Professionals  
Type: Original  
Date: March 10, 2014

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Bill Summary: This proposal requires hospitals and ambulatory surgical centers to report prices for most common procedures.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown, greater than \$167,567)	(Unknown, greater than \$174,373)	(Unknown, greater than \$175,315)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown, greater than \$167,567)</b>	<b>(Unknown, greater than \$174,373)</b>	<b>(Unknown, greater than \$175,315)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
General Revenue	1	1	1
<b>Total Estimated Net Effect on FTE</b>	<b>1</b>	<b>1</b>	<b>1</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Health and Senior Services (DHSS)** provide the following information:

#### §197.170 (Reporting of Healthcare Costs) and §192.173 (Collection of Healthcare Cost Data):

It is assumed that the costs of healthcare reported by the healthcare facilities will be captured by a web-based data application developed by Office of Administration (OA) - Information Technology Services Division (ITSD) and that the application will have query capability to provide ad hoc reports for periodic (e.g., quarterly) or annual reports needed for public dissemination. Given the time-sensitive nature of the reporting requirements, the Bureau of Health Care Analysis and Data Dissemination (BHCADD) assumes that this application would be a hands-on resource and data tool developed for, and residing in, BHCADD to enable them to have ready access to the data for querying. Furthermore, it is likely that database support would also be needed from ITSD.

BHCADD will be tasked with identifying the one hundred most common DRG categories for hospitals and the twenty most common surgery procedures and twenty most common imaging procedures for outpatients and ambulatory surgical centers. Confidentiality rules will have to be developed and implemented to ensure that individuals cannot be identified in violation of the Health Information Portability and Accountability Act (HIPAA) or other federal law. BHCADD may be asked to identify any under-reporting by the facilities and validate the accuracy of the information reported. BHCADD may also be asked to provide technical assistance with any statistical trend or comparison analysis of the data.

To perform BHCADD activities in accordance with the above assumptions, BHCADD will need one (1) FTE Research Analyst III (\$39,984, annually). The research analyst will be responsible for compiling, cleaning, and editing the iterative quarterly files of cost data to conduct the reports for publication on DHSS' website. The analyst will prepare and run computer programs to perform the analysis on these files. In addition, the analyst will provide any needed technical assistance or consultation on trend and/or comparison analysis that may be requested. The analyst will also be involved in developing and maintaining the confidentiality standards for reporting the cost data on the public site. Furthermore, the analyst will handle any inquiries related to the healthcare cost data.

It will be necessary for BHCADD and ITSD to work together to develop an application to collect the information to support this legislation, create reports on the information identified in this proposal, and maintain the system each year. The ITSD costs are unknown greater than \$100,000.

ASSUMPTION (continued)

DHSS General Revenue costs to implement this proposal are estimated to be "Unknown greater than \$167,659" in FY15; "Unknown greater than \$174,376" in FY16; and "Unknown greater than \$175,318" in FY17.

**Oversight** assumes the DHSS would not need rental space for 1 additional FTE. Also noted is that estimated ITSD costs are included in DHSS' estimated costs for the proposal.

Officials from the **Department of Social Services - MO HealthNet Division (MHD)** state the proposed legislation requires hospitals and ambulatory surgical centers to submit to DHSS prices for the most common procedures. DHSS is to provide this information on its website in a manner that is easily understood by the public.

There is likely to be additional administrative costs to a hospital for gathering, compiling and transmitting the required information to DHSS in the required form, but the amount is unknown. MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Since the first reporting requirement is effective beginning with the quarter ending June 30, 2015, the additional cost would be reflected in 2014 or 2015 cost reports. MO HealthNet would use 2014 cost reports to establish reimbursement for state fiscal year (SFY) 2018. Therefore, there would not be a fiscal impact to MHD for FY 15, FY 16, or FY 17, but starting in FY 18 there could be additional costs. The potential costs for FY 18 are unknown.

**Oversight** notes the DSS-MHD may see an increase in hospital reimbursements beginning in FY 18, which is outside the scope of this fiscal note. Potential FY 18 costs are 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 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.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Mental Health** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DHSS (§§197.170 and 197.173)</u>			
Personal service	(\$33,320)	(\$40,384)	(\$40,788)
Fringe benefits	(\$16,995)	(\$20,598)	(\$20,804)
Equipment and expense	(\$17,252)	(\$13,391)	(\$13,723)
Computer system upgrades	<u>(Unknown, greater than \$100,000)</u>	<u>(Unknown, greater than \$100,000)</u>	<u>(Unknown, greater than \$100,000)</u>
Total <u>Costs</u> - DHSS-DCPH	<u>(Unknown, greater \$167,567)</u>	<u>(Unknown, greater than \$174,373)</u>	<u>(Unknown, greater than \$175,315)</u>
FTE Change - DHSS	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(Unknown, greater than \$167,567)</u></b>	<b><u>(Unknown, greater than \$174,373)</u></b>	<b><u>(Unknown, greater than \$175,315)</u></b>
Net Estimated FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

### FISCAL IMPACT - Small Business

Small ambulatory surgical centers would have to provide data files to the Department of Health and Senior Services that they are not currently providing, thereby resulting in increased costs for these facilities if they don't have electronic health records software.

### FISCAL DESCRIPTION

This proposal requires hospitals and ambulatory surgical centers to submit to the Department of Health and Senior Services prices for 140 of the most common procedures, including 100 of the most common procedures in hospital inpatient settings as well as 20 of the most common surgery and 20 of the most common imaging procedures conducted in both outpatient hospital and ambulatory surgical settings.

Any data disclosed to the Department by a hospital or ambulatory surgical center under this proposal shall be the sole property of the hospital or center that submitted the data. Any data or product derived from the data disclosed pursuant to this act, including a consolidation or analysis of the data, shall be the sole property of the state. The Department shall not allow proprietary information it receives pursuant to this act to be used by any person or entity for commercial purposes.

The Department shall provide such information on its internet website in a manner that is easily understood by the public. Information for each hospital shall be listed separately and hospitals shall be listed in groups by category as determined by the Department through the promulgation of rules. Information for each hospital outpatient Department and each ambulatory surgical center shall also be listed separately.

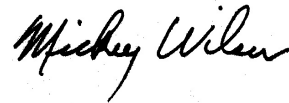
The information regarding hospital inpatient procedures shall be submitted beginning with the quarter ending June 30, 2015, and quarterly thereafter. The information regarding outpatient surgical and imaging procedures shall be submitted beginning with the quarter ending September 30, 2015, and quarterly thereafter.

The Department shall promulgate rules outlining the information to be submitted by the hospitals and ambulatory surgical centers including payments made by Medicare, Medicaid and the five largest health carriers.

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 -  
    MO HealthNet Division  
Joint Commission on Administrative Rules  
Office of Secretary of State



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March 10, 2014

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