

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0516-01  
Bill No.: SB 10  
Subject: Hospitals; Health Department; Health, Public  
Type: Original  
Date: January 14, 2015

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Bill Summary: This proposal modifies provisions relating to health care facility infection reporting.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2020)
General Revenue	(\$336,250)	(\$355,694)	(\$261,083)	(\$2,634,009)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$336,250)</b>	<b>(\$355,694)</b>	<b>(\$261,083)</b>	<b>(\$2,634,009)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2020)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</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>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2020)
Federal	\$0	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income and expenses exceed \$4 million annually and net to \$0 beginning in FY 2020.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2020)
General Revenue	3	3	3	3
<b>Total Estimated Net Effect on FTE</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2020)
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Since these requirements would be effective January 1, 2016, any additional cost would begin to be reflected in 2016 cost reports. MO HealthNet would use 2016 cost reports to establish reimbursement for SFY 2020 (State Fiscal Year, July 1 through June 30). Therefore, there would not be a fiscal impact to the MO HealthNet Division for FY 2016, FY 2017, and FY 2018, but starting FY 2020 there could be additional costs. Since the exact requirements for this proposal are not known at this time, MHD can only provide an estimate for these additional costs starting in SFY 2020. MHD assumes the program will be administered by Registered Nurses and Pharmacists at each facility. Per the Bureau of Labor Statistics, the average salary of a Registered Nurse in Missouri in 2013 was \$58,040. MHD assumes this proposal will take 25% of a Registered Nurse's time on average per facility. Additionally, the average salary of a Pharmacist in Missouri in 2013 was \$114,000 (per salarybystate.org). MHD assumes this proposal will take 25% of a Pharmacist's time on average per facility. Then, assuming this will impact approximately 150 Missouri hospitals, the estimated cost of this proposed legislation starting in SFY 2020 is \$6,451,500 per year. The costs will be split approximately 37% GR/63% Federal.

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

#### §192.667 - Infection reporting

DHSS would have to work with the Office of Administration, Information Technology Services Division (ITSD) to enhance the current MHIRS (Missouri Hospital Infection Reporting System) website to collect these new surgery types. This would include major revisions to the Annual Registration site. In addition, modifications to the public and historical reports would be required. DHSS staff will need to develop statistical standards for the new surgery categories. Staff will also be needed to monitor the expanded list of surgery categories to ensure that data is being properly reported and that DHSS is getting valid, accurate data.

To perform Bureau of Health Care Analysis and Data Dissemination (BHCADD) activities in accordance with the above assumptions, BHCADD will need one Research Analyst III (\$39,984 annually).

DHSS would also be asked to work with hospitals, Ambulatory Surgical Centers (ASCs) and ITSD in developing the antibiotic stewardship program. Because details of the methodology and systems for data collection are not outlined, it is very hard to determine how much data might be collected. However, if DHSS is tasked with collecting the type and magnitude of antibiotics used against infection, this has the potential to be an extremely large and complicated data set.

ASSUMPTION (continued)

To perform BHCADD/Bureau of Communicable Disease Control and Prevention (CDCP) activities in accordance with the above assumptions, DHSS would need at minimum two additional FTE's: one Research Analyst III (\$39,984, annually) and one Research Analyst IV (\$44,712 annually).

DHSS provided OA, ITSD's costs. ITSD assumes every new IT project/system will be bid out because all ITSD resources are at full capacity. A 12-month project time-line was assumed with the first six (6) months focused on analysis, design and development of the functionality necessary to begin collecting and reporting antibiotic use by January 1, 2016, with the remainder of the development and implementation being completed in FY 2017. The project increases the amount of data being collected, stored and reported. Therefore, costs have been included for additional disk space. ITSD assumes costs to the General Revenue Fund of \$129,772 for FY 2016; \$123,980 for FY 2017; and \$27,449 for FY 2018.

**Oversight** notes the increase in DSS, MHD's costs do not occur until FY 2020. Oversight extrapolated DHSS and OA, ITSD costs to FY 2020 using a 1% inflationary rate for salary related expenses and a 2.5% inflationary rate for all other costs (the same rates currently used in fiscal note calculations) so that Fully Implemented Costs present all agency costs, not just MHD's.

Officials from the **University of Missouri Health Care (University)** assume the proposal, as written, should not create additional expenses in excess of \$100,000 annually.

**Oversight** assumes these costs can be absorbed within current funding levels. Oversight further assumes any cost increases to the University's hospital will be reported in its cost reports and reflected in higher rates paid to the hospital beginning in FY 2020.

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.

ASSUMPTION (continued)

Officials from the **Department of Mental Health** and **Joint Committee on Administrative Rules** each assume the proposal would not fiscally impact their respective agencies.

Officials from the following **hospitals**: Barton County Memorial Hospital, Bates County Memorial Hospital, Cedar County Memorial Hospital, Cooper County Hospital, Excelsior Springs Medical Center, Putnam County Memorial Hospital and Washington County Memorial Hospital did not respond to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State</u> <u>Government</u>	FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2020)
<b>GENERAL REVENUE FUND</b> (§192.667)				
<u>Costs - DHSS</u>				
Personal service	(\$103,900)	(\$125,927)	(\$127,186)	(\$129,743)
Fringe benefits	(\$54,033)	(\$65,488)	(\$66,143)	(\$67,473)
Equipment and expense	(\$48,545)	(\$40,299)	(\$40,305)	(\$42,338)
Total <u>Costs - DHSS</u>	<u>(\$206,478)</u>	<u>(\$231,714)</u>	<u>(\$233,634)</u>	<u>(\$239,554)</u>
FTE Change - DHSS	3 FTE	3 FTE	3 FTE	3 FTE
<u>Costs - OA-ITSD</u>				
Development, implementation and storage costs	(\$129,772)	(\$123,980)	\$0	\$0
On-going maintenance and storage costs	\$0	\$0	(\$27,449)	(\$28,839)
Total <u>Costs - OA-ITSD</u>	<u>(\$129,772)</u>	<u>(\$123,980)</u>	<u>(\$27,449)</u>	<u>(\$28,839)</u>
<u>Costs - DSS-MHD</u>				
Increase in hospital reimbursements	\$0	\$0	\$0	(\$2,366,216)
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$336,250)</u></b>	<b><u>(\$355,694)</u></b>	<b><u>(\$261,083)</u></b>	<b><u>(\$2,634,609)</u></b>
Estimated Net FTE Change on the General Revenue Fund	3 FTE	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2020)
<b>FEDERAL FUNDS</b> (\$192.667)				
<u>Income - DSS-MHD</u>				
Increase in program reimbursements	\$0	\$0	\$0	\$4,085,874
<u>Costs - DSS-MHD</u>				
Increase in hospital program costs	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$4,085,874)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2020)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could impact small business ambulatory surgical centers (ASCs) administrative costs as ASCs are required to develop an antibiotic stewardship program. In addition, ASCs will have to meet new reporting requirements.

FISCAL DESCRIPTION

Under current law, the Department of Health and Senior Services is required to disseminate reports to the public based on data compiled showing for hospitals and ambulatory surgical centers infection incidence rate for certain infections. This proposal adds certain other infections to be reported including surgical site infections associated with Caesarean sections and vaginal births, hip and knee replacements, and all manner of hysterectomies; ventilator-associated events rather than ventilator-associated pneumonia, and all infections specified by the Centers for Medicare and Medicaid Services.

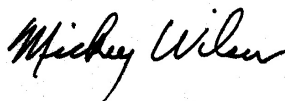
FISCAL DESCRIPTION (continued)

This proposal also provides that no later than January 15, 2015, the Department shall promulgate rules specifying the standards and procedures for each hospital and ambulatory surgical center to establish an Antibiotic Stewardship Program for evaluating the judicious use of antibiotics, especially antibiotics that are the last line of defense against resistant infections. The Stewardship Program procedures shall be reported quarterly to the Department, which shall make those results available to the public on its website. The time-line for reporting the results on the website are specified under the act.

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

SOURCES OF INFORMATION

Department of Health and Senior Services  
Department of Mental Health  
Department of Social Services -  
    MO HealthNet Division  
Joint Committee on Administrative Rules  
Office of Administration -  
    Information Technology Services Division  
Office of Secretary of State  
University of Missouri



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