

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0516-02  
Bill No.: Perfected SCS for SB 10  
Subject: Hospitals; Health Department; Health, Public  
Type: Original  
Date: March 11, 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	(\$143,374)	(\$158,957)	(\$92,258)	(\$859,435)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$143,374)</b>	<b>(\$158,957)</b>	<b>(\$92,258)</b>	<b>(\$859,435)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2020)
University Funds	(Greater than \$83,333)	(Greater than \$100,000)	(Greater than \$100,000)	(Greater than \$100,000)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(Greater than \$83,333)</b>	<b>(Greater than \$100,000)</b>	<b>(Greater than \$100,000)</b>	<b>(Greater than \$100,000)</b>

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 9 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 \$1.3 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	1	1	1	1
<b>Total Estimated Net Effect on FTE</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</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>(Greater than \$83,333)</b>	<b>(Greater than \$100,000)</b>	<b>(Greater than \$100,000)</b>	<b>(Greater than \$100,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state section 192.667 adds certain other infections to be reported including specified surgical site infections, central line-related bloodstream infections, and all infections specified by the Centers for Medicare and Medicaid Services. By January 1, 2016 the advisory panel must recommend, and the Department of Health and Senior Services adopt by January 1, 2017, a minimum of 4 surgical procedures for hospitals and a minimum of 2 surgical procedures for ambulatory surgical centers that meet specified criteria for reporting. This proposal also provides that no later than January 15, 2016, each hospital and ambulatory surgical center, excluding mental health facilities, shall establish an antibiotic stewardship program.

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. 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. 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. Then, assuming this will impact approximately 150 Missouri hospitals, the estimated cost of this proposed legislation starting in SFY 2020 could be up to \$6,451,500 per year. Furthermore, MHD is prorating this increase in costs to hospitals by the SFY 2011 Statewide Mean Medicaid Utilization rate of 32.39%, which was calculated by MHD's independent Disproportionate Share Hospital (DSH) auditors per DSH reporting requirements. Although this calculation is based on days, it is an estimated way to prorate this cost to Medicaid. Using this percentage, the estimated cost to Medicaid is \$2,089,641 ( $\$6,451,500 \times 32.39\%$ ). The estimated costs to Medicaid will then be split between General Revenue and the federal government according to the federal match percentage (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 any new surgery types. This would include major revisions to the Annual Registration site. In addition, modifications to the public and historical reports would be

ASSUMPTION (continued)

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 (\$40,380 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. ITSD assumes costs to the General Revenue Fund of \$74,692 for FY 2016; \$83,529 for FY 2017; and \$15,876 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.

In response to the previous version of this proposal, officials from the **University of Missouri Health Care (University)** assumed the proposal, as written, would create additional expenses in excess of \$100,000 annually. These expenses include acquisition, annual licensing, implementation and ongoing maintenance, support and staffing to operate the software to manage this requirement.

In response to the previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated 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)

In response to the previous version of this proposal, officials from the **Joint Committee on Administrative Rules (Committee)** assumed the proposal would not cause a fiscal impact to the Committee beyond its current appropriation.

Officials from the **Department of Mental Health** assume the proposal would not fiscally impact their agency.

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.

Although no hospitals responded to **Oversight's** request for a statement of fiscal impact except the University of Missouri, Oversight is going to assume this proposal will have a negative fiscal impact to hospitals in an amount that is unknown greater than \$100,000 annually.

<u>FISCAL IMPACT - State</u> <u>Government</u>	FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2020)
<b>GENERAL REVENUE FUND (\$192.667)</b>				
<u>Costs - DHSS</u>				
Personal service	(\$33,650)	(\$40,784)	(\$41,192)	(\$40,020)
Fringe benefits	(\$17,500)	(\$21,210)	(\$21,422)	(\$21,852)
Equipment and expense	(\$17,532)	(\$13,434)	(\$13,768)	(\$14,465)
Total <u>Costs - DHSS</u>	<u>(\$68,682)</u>	<u>(\$75,428)</u>	<u>(\$76,382)</u>	<u>(\$76,337)</u>
FTE Change - DHSS	1 FTE	1 FTE	1 FTE	1 FTE
<u>Costs - OA-ITSD</u>				
Development, implementation and storage costs	(\$74,692)	(\$83,529)	\$0	\$0
On-going maintenance and storage costs	\$0	\$0	(\$15,876)	(\$16,680)
Total <u>Costs - OA-ITSD</u>	<u>(\$74,692)</u>	<u>(\$83,529)</u>	<u>(\$15,876)</u>	<u>(\$16,680)</u>
<u>Costs - DSS-MHD</u>				
Increase in hospital reimbursements	\$0	\$0	\$0	(\$766,418)
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$143,374)</u></b>	<b><u>(\$158,957)</u></b>	<b><u>(\$92,258)</u></b>	<b><u>(\$859,435)</u></b>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2020)
<b>UNIVERSITY FUNDS</b> (\$192.667)				
<u>Costs</u> - UM				
Increase in reporting requirement costs	<u>(Greater than \$83,333)</u>	<u>(Greater than \$100,000)</u>	<u>(Greater than \$100,000)</u>	<u>(Greater than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON UNIVERSITY FUNDS</b>	<b><u>(Greater than \$83,333)</u></b>	<b><u>(Greater than \$100,000)</u></b>	<b><u>(Greater than \$100,000)</u></b>	<b><u>(Greater than \$100,000)</u></b>
<b>FEDERAL FUNDS</b> (\$192.667)				
<u>Income</u> - DSS-MHD				
Increase in program reimbursements	\$0	\$0	\$0	\$1,323,223
<u>Costs</u> - DSS-MHD				
Increase in hospital program costs	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,323,223)</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>

FISCAL IMPACT - Local Government

	FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2020)
<b>LOCAL GOVERNMENTS - HOSPITALS</b> (§192.667)				

Costs - City and County Hospitals

Increase in reporting requirement costs	<u>(Greater than \$83,333)</u>	<u>(Greater than \$100,000)</u>	<u>(Greater than \$100,000)</u>	<u>(Greater than \$100,000)</u>
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**ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - HOSPITALS**

	<u>(Greater than \$83,333)</u>	<u>(Greater than \$100,000)</u>	<u>(Greater than \$100,000)</u>	<u>(Greater than \$100,000)</u>
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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 specified surgical site infections, central line-related bloodstream infections, and all infections specified by the Centers for Medicare and Medicaid Services.

This proposal requires the infection control advisory panel to make recommendations to the Department and the General Assembly regarding the appropriateness of using the Centers for Medicare and Medicaid Services' reporting requirements by January 1, 2016. Additionally, those hospitals and ambulatory surgical centers participating in the National Healthcare Safety Network program or its successor, as a condition of licensure, must permit the program to disclose facility-specific data. Those facilities not participating in the program shall submit facility-specific data to the Department. The advisory panel must recommend, and the Department adopt, a minimum of 4 surgical procedures for hospitals and a minimum of 2 surgical procedures for ambulatory surgical centers that meet specified criteria for reporting.



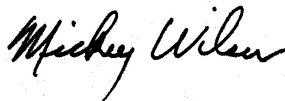
FISCAL DESCRIPTION (continued)

This proposal also provides that no later than January 15, 2016, each hospital and ambulatory surgical center, excluding mental health facilities, shall 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 made available upon inspection to the Department.

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



Mickey Wilson, CPA  
Director  
March 11, 2015

Ross Strobe  
Assistant Director  
March 11, 2015