

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0630-01  
Bill No.: SB 46  
Subject: Health Care; Hospitals; Health Department; Health Care Professionals  
Type: Original  
Date: January 20, 2015

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

**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	(\$237,425)	(\$126,899)	(\$129,149)	(\$5,105,797)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$237,425)</b>	<b>(\$126,899)</b>	<b>(\$129,149)</b>	<b>(\$5,105,797)</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 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>

\* FY 2020 income and expenditures exceed \$8 million and net to \$0.

<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	1	1	1
<b>Total Estimated Net Effect on FTE</b>	<b>3</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>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

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

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 the requirements of this proposal would be effective for hospitals for the quarter ending June 30, 2016, any additional cost would begin to be reflected in 2016 cost reports. MHD 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.

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 50% of a Registered Nurse's time, on average, per facility (or \$29,020). MHD also assumes that hospitals will need to upgrade their information technology (IT) infrastructure and reporting functions in order to comply with this proposed legislation. MHD estimates this cost, on average, to be \$250,000 for each of the 150 hospitals. Thus, the staff time and the IT costs combined are estimated, on average, to be \$279,020 per hospital. Therefore, the total estimated cost of this proposal on Missouri hospitals is estimated to be \$41,853,000 (\$279,020 per hospital X 150 hospitals). Furthermore, MHD is prorating this increase in costs to hospitals by the SFY 2011 Statewide Mean Medicaid Inpatient Utilization rate of 32.39%. This percentage 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 \$13,556,187 (\$41,853,000 X 32.39%). These costs will be reimbursed as using the Federal/State split of approximately 63%/37%.

Officials from the **Department of Health and Senior Services (DHSS)** state it is assumed that the costs of healthcare reported by the healthcare facilities will be captured by a web-based data application developed by the 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 DHSS - 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.

ASSUMPTION (continued)

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 Research Analyst III FTE (\$39,984 annually). The Research Analyst III 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 Information Technology Services Division (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.

ITSD assumes that the application will be hosted in the State Data Center (SDC) on an existing shared hosting environment with an initial disk space requirement of 25gb with per month cost calculated based on rates published in the FY2015 cost allocation plan (CAP).

Total DHSS costs to the General Revenue Fund to implement this proposal are estimated to be \$321,998 in FY2016, \$126,899 in FY2017, and \$129,149 in FY2018.

DHSS officials provided an estimate of the IT costs to implement this proposal based on information provided by Office of Administration, ITSD . OA-ITSD estimated implementation costs of \$253,773 in FY 2016 plus minimal storage costs; FY 2017 on-going system maintenance and storage costs of \$52,079 and FY 2018 on-going costs of \$53,381.

**Oversight** notes the DHSS estimate of IT cost to implement this proposal was based on the current state contract rate for IT consulting services (\$75 per hour). DHSS officials told us OA-ITSD informed them employees would not be available in FY 2016 for IT projects to implement new legislation and contractors would be required.

ASSUMPTION (continued)

**Oversight** assumes implementing new legislation on a yearly basis is part of the core responsibilities included in the budget for OA-ITSD. Oversight has calculated the estimated number of hours available for programming work and the average cost of salary plus benefits for OA-ITSD programmers. Oversight notes the estimated hours to implement this proposal would represent approximately 2 FTE programmers for one year (3,384 hours / 1,744 hours = 1.94 FTE programmers); the cost to implement this proposal with 2 FTE would be approximately \$169,200 (3,384 X \$50).

For fiscal note purposes, Oversight will assume OA-ITSD could implement this proposal with 2 additional FTE of programming personnel plus equipment and supplies. If this proposal would create an unanticipated additional workload or if multiple proposals are implemented which would require more staffing than anticipated, OA-ITSD could request resources through the budget process.

**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 **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.

Officials from the **Department of Mental Health** assume, since Department of Mental Health facilities are not subject to the requirements of Chapter 197, there should be no fiscal impact on the Department.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration 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 Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2020)
<b>GENERAL REVENUE FUND</b> (§§197.170 and 197.173)				
<u>Costs - DSS</u>				
Increased hospital reimbursements	\$0	\$0	\$0	(\$4,972,003)
<u>Costs - DHSS</u>				
Personal service	(\$33,320)	(\$40,384)	(\$40,788)	(\$41,608)
Fringe benefits	(\$17,328)	(\$21,002)	(\$21,212)	(\$21,638)
Equipment and supplies	<u>(\$17,532)</u>	<u>(\$13,434)</u>	<u>(\$13,768)</u>	<u>(\$14,465)</u>
Total <u>Costs - DHSS</u>	<u>(\$68,180)</u>	<u>(\$74,820)</u>	<u>(\$75,768)</u>	<u>(\$77,711)</u>
FTE Change - DHSS	1 FTE	1 FTE	1 FTE	1 FTE
<u>Costs - OA-ITSD</u>				
Personal service, fringe benefits, equipment & expense	<u>(\$169,245)</u>	<u>(\$52,079)</u>	<u>(\$53,381)</u>	<u>(\$56,083)</u>
FTE Change - OA-ITSD	2 FTE	0 FTE	0 FTE	0 FTE
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>				
	<b><u>(\$237,425)</u></b>	<b><u>(\$126,899)</u></b>	<b><u>(\$129,149)</u></b>	<b><u>(\$5,105,797)</u></b>
Estimated Net FTE impact on the General Revenue Fund				
	3 FTE	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2020)
<b>FEDERAL FUNDS</b> (§§197.170 and 197.173)				
<u>Income - DSS</u>				
Increase in program reimbursements	\$0	\$0	\$0	\$8,584,184
<u>Costs - DSS</u>				
Increase in program expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$8,584,184)</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 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2020)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business ambulatory surgical centers will have to provide data files to the Department of Health and Senior Services they not currently providing. This will result in increased administrative costs for these facilities. The proposed legislation requires facilities to report data using electronic health records software which smaller facilities may not currently have in place.

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.

FISCAL DESCRIPTION (continued)

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.

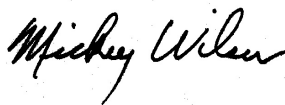
The information regarding hospital inpatient procedures shall be submitted beginning with the quarter ending June 30, 2016, and quarterly thereafter. The information regarding outpatient surgical and imaging procedures shall be submitted beginning with the quarter ending September 30, 2016, and quarterly 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 but may require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Health and Senior Services  
Department of Insurance, Financial Institutions and Professional Registration  
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



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