

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1251-06
Bill No.: HCS for SS for SCS for SB 354
Subject: Insurance - Medical; Children and Minors
Type: Original
Date: May 7, 2015

Bill Summary: This proposal.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| General Revenue | (Greater than \$1,800,401) | (Greater than \$2,094,047) | (Greater than \$2,035,230) | (Greater than \$2,880,969) |
| Total Estimated Net Effect on General Revenue | (Greater than \$1,800,401) | (Greater than \$2,094,047) | (Greater than \$2,035,230) | (Greater than \$2,880,969) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | | |
|---|---|---|---|---|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| Various Professional Registration Funds | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) | \$0 or (Unknown) |
| University Funds | (Unknown greater than \$3,000,000) | (Unknown greater than \$3,000,000) | (Unknown greater than \$3,000,000) | (Unknown greater than \$3,000,000) |
| Total Estimated Net Effect on <u>Other</u> State Funds | (Unknown greater than \$3,000,000) | (Unknown greater than \$3,000,000) | (Unknown greater than \$3,000,000) | (Unknown greater than \$3,000,000) |

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 12 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | | |
|---|------------|------------|------------|-----------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| Federal Funds | \$0 | \$0 | \$0 | \$0* |
| | | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 | \$0 |

*Revenues and Expenses net zero.

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | | |
|---|---------------|---------------|---------------|-----------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| General Revenue | 11 FTE | 11 FTE | 11 FTE | 11 FTE |
| | | | | |
| Total Estimated Net Effect on FTE | 11 FTE | 11 FTE | 11 FTE | 11 FTE |

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

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | | |
|--|---------|---------|---------|-----------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| Local Government | \$0 | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Sections 192.020 and 192.667:

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 August 28, 2016, any additional cost would begin to be reflected in 2016 or 2017 cost reports. MO HealthNet would use 2016 and 2017 cost reports to establish reimbursement for FY 2020 and FY 2021. Therefore, there would not be a fiscal impact to the MHD 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 FY 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 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 could be up to \$6,451,500 per year. Furthermore, MHD is prorating this increase in costs to hospitals by the FY 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 ($\$6,451,500 \times 32.39\%$). Since the requirement is effective for hospitals August 28, 2016, only a portion of the cost would be in FY 20. 82 hospitals have a cost report year end between August 28 and December 31. The estimated cost for FY 20 is \$1,142,337 ($\$2,089,641 \times 82/150$). The estimated cost for FY 21 is \$2,089,641. The costs will be split approximately 37% GR/63% Federal.

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 and possibly new facility types (e.g., dialysis centers, nursing homes). This would include major revisions to the Annual Registration site. In addition, major modifications to the public and historical reports would be required. DHSS staff will need to develop statistical standards for any new surgery categories and possibly new facility types and/or incorporate standards developed by the Center for Medicare and Medicaid Services (CMS). 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.

ASSUMPTION (continued)

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 would also be asked to work with hospitals, Ambulatory Surgical Centers (ASCs) in developing the antimicrobial stewardship program. The DHSS would be tasked with writing an annual report for the state and regions describing incidence, type and distribution. This data would be available from the National HealthCare Safety Network (NHSN) through the Center for Disease Control's Antimicrobial Use and Resistance (AUR) Module.

To perform activities in accordance with the above assumptions, DHSS (either the Bureau of Communicable Disease Control and Prevention or another assigned Bureau) would need one additional Research Analyst III (\$40,380, annually).

Section 192.380.2:

Officials from the **Office of the Governor** assume there should be no added cost to the their department as a result of this measure. However, if additional duties are placed on the office related to appointments in other TAFP legislation, there may be the need for additional staff resources in future years.

Officials from the **Department of Health and Senior Services (DHSS)** state this section creates a Perinatal Advisory Committee (PAC) and directs the DHSS to provide necessary support to the council. In addition, DHSS would be responsible for organizing and hosting stakeholder meetings to gather public input to be shared with the PAC.

DHSS will need a full time Health Program Representative III (\$38,928 annually) to support and staff the 17 member Perinatal Advisory Council appointed by the Governor. Duties of this position include but are not limited to the following:

- Coordinate with Governor's Office to ensure appointments are made according to membership requirements in Section 192.380.2;
- Assisting potential members with the application process;
- Arrange the council meetings, identify locations for the meetings, and prepare agendas and minutes of the meeting as requested by the Council Chair;
- Coordinate the stakeholder input meetings to be held around the state;
- Provide support for the members of the council, performing relevant data inquiries and compilation of information as requested by the Chair or other members;

ASSUMPTION (continued)

- Coordinate collaboration with other appropriate agencies and entities needed to administer provisions of the proposed legislation; and
- Creation and dissemination of reports that compiles information reported on all high-risk birth outcomes (Section 192.380.4(4)) and other information that will be used by the PAC to evaluate and monitor the performance of the perinatal system in Missouri (Section 192.380.4(9)).

Additional funds are requested for the reimbursement of travel expenses for PAC members to attend PAC meetings and to attend the stakeholder public input meetings to be held around the state. DHSS assumes the regular meetings will be held monthly for the first year and quarterly thereafter. It is also assumed that there will be four stakeholder meetings around the state (two urban and two rural) and that a maximum of 6 PAC members will attend those meetings. The cost per PAC member to attend these meetings is calculated at \$180 per day for lodging, meals, and mileage. The total travel cost for stakeholder meetings in the first year calculates to \$4,320 (6 members x 4 meetings x \$180). The total cost for PAC regular meetings in the first year is calculated at \$36,720 (17 members x 12 meetings x \$180). The total cost for PAC meetings in subsequent years is calculated at \$12,240 (17 members x 4 meetings x \$180) each year.

Section 192.380.7:

DHSS is to promulgate rules and regulations by January 1, 2017 to establish the standards developed by the Council. DHSS will need a full time Registered Nurse Manager (\$65,359 annually) and one Administrative Office Support Assistant (AOSA) (\$28,104 annually) to support and staff the 17 member Perinatal Advisory Council appointed by the Governor. These two staff will be hired on September 1, 2015.

Section 192.380.8:

DHSS, beginning January 1, 2017, to ensure that hospital application for license shall include the appropriate level of maternal care designation and neonatal care designation as determined by the standards outlined in subsection 5 of proposed legislation.

DHSS will hire four Health Facilities Nursing Consultants (HFNC, \$53,124 annually, each) to assist in stakeholder engagement and to enforce the rules and regulations as they are promulgated. The HFNC will also survey the facilities for compliance with the standards. This staff will be hired on September 1, 2015.

This program will be similar in operation to the existing Time Critical Diagnosis (TCD) program. The TCD program is voluntary and has two HFNCs and an AOSA dedicated to the

ASSUMPTION (continued)

program. The program proposed by this bill will impact any hospital with one or more obstetric beds, far more hospitals than the voluntary TCD program. As a result, DRL anticipates staffing requirements of four (4) HFNCs, one AOSA, and one program manager.

Section 192.380.9

Officials from the **University of Missouri Health Care** did not respond to **Oversight's** request for a statement of fiscal impact. However, in response to a similar proposal from the current session (SB 342), UM officials stated the proposed legislation has an unquantifiable potential negative impact to the University in excess of \$3,000,000 annually. The potential impact is uncertain at this time due to the scope of the proposed legislation.

The proposed legislation may also put the University's residency programs in obstetrics and gynecology, pediatrics, and other surgical specialties that rotate through the Neonatal Intensive Care Unit at risk due to the required experience necessary for these educational programs.

The health care system that is currently set up does not meet the definition of a level 4 maternity center under the proposed legislation. The estimated impact is based on UM's evaluation of lost business related to not meeting level 4 status versus the cost to close the proposed gap. The costs to close the gap will require additional resources that would enable UM Health Care to achieve a level 4 designation which includes additional critical care physicians, additional critical care nursing, minimal facility upgrades (one-time cost), training costs (mix of one-time and ongoing annual expense), and an unknown impact to other departments of the hospital needed to support Intensive Care Unit (ICU) patients differently than what is the current process.

Section 192.390:

DHSS state that according to the Children's Milk Allergy and Gastrointestinal Coalition (MAGIC), it is estimated that up 0.1 percent of the total U.S. infant and children's population requires the amino acid-based elemental formula for proper life sustaining nutrition. The amount of time needed to be on the formula varies for each individual. According to MAGIC, children typically need the formula for a period of two years or less, and the majority of children will outgrow their allergies or conditions by age five.

The population of Missouri age birth to five is 390,237 (2010 census data). It is estimated that 390 (0.1 percent) of this population has a need for the formula. Currently, these formulas are covered through the state Medicaid program, the Women, Infants, and Children's Program (WIC), and the Children and Youth with Special Health Care Needs Program (CYSHCN) for those meeting income eligibility. Health plans in Missouri are not mandated for coverage of this

ASSUMPTION (continued)

formula. It is estimated that 50% of this population (195 individuals) will not be covered through any existing state program. This version of the legislation does not require insurance carriers to provide coverage for the listed conditions. According to information available on MAGIC's website, the annual average cost of elemental formula per year is \$5,075. The total cost of providing the formula to the children up to age five who would need assistance from DHSS is estimated at \$989,625 ($\$5,075 \times 195$ individuals).

The percentage of individuals needing the formula beyond age five is estimated at significantly less than 0.1 percent for conditions that are not outgrown and would need the formula for life sustenance. Since the DHSS would be required to provide the formula for individuals under 19 years of age (coverage would be specific to each individual), the amount of funds needed to provide coverage for individuals between the ages of 5 and 19 years of age is unknown.

By rule, the Metabolic Formula Program currently provides one annual medical examination by a physician at 80 percent of billed costs. This examination verifies medical need and provides the prescription for the formula. It is assumed that this medical examination would be provided for the new participants as well at an average cost of \$200 per examination for a total cost of \$39,000 ($\200×195 individuals).

The DHSS would require one additional HPR II (annual salary of \$34,944) position in order to provide the following duties: enrolling participants in the program, contracting with formula

companies and coordinating shipments of formula from the companies to the participants, verifying continued participant income and medical eligibility, payment of formula invoices, development of program rules, develop and maintain information to put on the DHSS web site, develop program manual, develop program forms, and respond to inquiries about the formula coverage by phone, email and written correspondence.

Total estimated costs to the General Revenue Fund for FY 2016 are unknown, greater than \$919,402; FY 2017 are unknown, greater than \$1,121,937; and FY 2018 costs are unknown, greater than \$1,149,179.

Section 210.003:

Officials from the **Department of Elementary and Secondary Education (DESE)** state there could be costs to all public, private and parochial day care centers, preschools, and nursery schools to notify parents of the changes to the law.

Oversight assumes costs associated with notifying parents that they may request notice if there

ASSUMPTION (continued)

are children currently enrolled in or attending the facility for whom an immunization exemption has been filed can be absorbed within current funding levels.

Section 301.142:

Officials from the **Department of Revenue (DOR)** state section 301.142 adds “physical therapists licensed pursuant to chapter 334” to the definition of “other authorized healthcare practitioner” for purposes of issuing a disabled person license plate and/or placard.

The DOR is to check online with the advisory commission for physical therapists established in Section 334.625, RSMo, when an applicant brings in a signed statement from a physical therapist for a disabled person license plate and/or placard.

The DOR assumes the proposal will have the following administrative impact to the Motor Vehicle Bureau:

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2016.
- The Physicians Statement for Disabled Person Plates/Placard (DOR-1776) will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Application for Missouri Personalized and Special License Plates (DOR-1716) will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Application for Missouri Military Personalized License Plates (DOR-4601) will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Application for Disabled Person Placard (DOR-2769) will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Application for Missouri Historic or Personalized Historic License Plates (DOR-570) will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Department's website will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2016.

The DOR assumes the proposal will an impact of \$5,580 to the General Revenue Fund for their organization in FY 2016.

ASSUMPTION (continued)

Oversight assumes the DOR can absorb the minimal costs associated with this proposal.

Section 324.001:

DHSS state this section of the proposal allows state boards to collaborate with the DHSS to collect and analyze workforce data to assess the availability of qualified health providers.

It is assumed that the MoHWoRx platform for the collection of information on the healthcare workforce will continue to be utilized and that additional resources will be added to ensure data quality, identify data gaps and provide the advanced analytics necessary to provide the information on the workforce to the various boards.

To perform these additional duties, the Division of Community and Public Health (DCPH) will need one FTE Research Analyst III (\$39,984 annually). Total costs to the General Revenue Fund are estimated to be \$67,569 for FY 2016; \$74,376 for FY 2017; and \$75,318 for FY 2018.

Oversight assumes the language of the proposal is permissive since it states in 324.001.14(1) that the state boards “may individually or collectively enter into a contractual agreement with the department of health and senior services...” Therefore, the DHSS may or may not need additional resources to collect and analyze workforce data.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state this legislation would have an unknown cost to various Professional Registration funds until contracts are established for the purpose of data collection. It is assumed the proposal would apply to all health-related boards.

The boards would incur minimal costs to collect the data. If the board(s) enter into a third party contract to analyze the data, the cost of the contract(s) would be based on the Request For Proposal (RFP).

Bill as a Whole:

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

| <u>FISCAL IMPACT - State Government</u> | FY 2016 (10 Mo.) | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
|---|---------------------|---------|---------|--------------------------------|
|---|---------------------|---------|---------|--------------------------------|

GENERAL REVENUE FUND

Costs - DSS-MHD

| | | | | |
|---|-----|-----|-----|-------------|
| Increase in hospital reimbursements (\$192,020) | \$0 | \$0 | \$0 | (\$766,418) |
|---|-----|-----|-----|-------------|

Costs - DHSS

| | | | | |
|---------------------------|--|--|--|--|
| Salaries | (\$417,476) | (\$505,981) | (\$511,041) | (\$521,313) |
| Fringe Benefits | (\$217,108) | (\$263,135) | (\$265,767) | (\$271,109) |
| Equipment and Expense | (\$308,629) | (\$270,590) | (\$177,723) | (\$186,720) |
| Formula & Medical Exams | <u>(Greater than \$857,188)</u> | <u>(Greater than \$1,054,341)</u> | <u>(Greater than \$1,080,699)</u> | <u>(Greater than \$1,135,409)</u> |
| Total Costs - DHSS | <u>(Greater than \$1,800,401)</u> | <u>(Greater than \$2,094,047)</u> | <u>(Greater than \$2,035,230)</u> | <u>(Greater than \$2,114,551)</u> |
| FTE Change - DHSS | 11 FTE | 11 FTE | 11 FTE | 11 FTE |

| | | | | |
|---|--|--|--|--|
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>(Greater than \$1,800,401)</u> | <u>(Greater than \$2,094,047)</u> | <u>(Greater than \$2,035,230)</u> | <u>(Greater than \$2,880,969)</u> |
|---|--|--|--|--|

| | | | | |
|--|--------|--------|--------|--------|
| Estimated Net FTE Change on the General Revenue Fund | 11 FTE | 11 FTE | 11 FTE | 11 FTE |
|--|--------|--------|--------|--------|

PROFESSIONAL REGISTRATION FUNDS (various health-related)

Costs - DIFP (\$324,001)

| | | | | |
|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Data collection costs | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> |
|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|

| | | | | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| ESTIMATED NET EFFECT ON PROFESSIONAL REGISTRATION FUNDS | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|

| <u>FISCAL IMPACT - State</u> <u>Government (continued)</u> | <u>FY 2016</u> <u>(10 Mo.)</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>Fully</u> <u>Implemented</u> <u>(FY 2020)</u> |
|---|-----------------------------------|----------------|----------------|--|
|---|-----------------------------------|----------------|----------------|--|

FEDERAL FUNDS

| | | | | |
|---|-----|-----|-----|-------------|
| <u>Income</u> - DSS - MHD Program Reimbursements | \$0 | \$0 | \$0 | \$1,323,223 |
|---|-----|-----|-----|-------------|

| | | | | |
|--|------------|------------|------------|----------------------|
| <u>Costs</u> - DSS-MHD Increase in hospital program costs §192.020 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>(\$1,323,223)</u> |
|--|------------|------------|------------|----------------------|

| | | | | |
|--|-------------------|-------------------|-------------------|--------------------|
| ESTIMATED NET EFFECT ON FEDERAL FUNDS | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0*</u> |
|--|-------------------|-------------------|-------------------|--------------------|

UNIVERSITY FUNDS

| | | | | |
|---|--|--|--|--|
| <u>Costs</u> - UM Health System Additional expenses including personal service and associated costs, facility upgrades, training costs, reduced business and department supports. | (Unknown greater than <u>\$3,000,000</u>) | (Unknown greater than <u>\$3,000,000</u>) | (Unknown greater than <u>\$3,000,000</u>) | (Unknown greater than <u>\$3,000,000</u>) |
|---|--|--|--|--|

| | | | | |
|---|--|--|--|--|
| ESTIMATED NET EFFECT ON UNIVERSITY FUNDS | <u>(Unknown greater than \$3,000,000)</u> | <u>(Unknown greater than \$3,000,000)</u> | <u>(Unknown greater than \$3,000,000)</u> | <u>(Unknown greater than \$3,000,000)</u> |
|---|--|--|--|--|

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

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

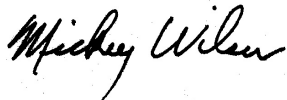
FISCAL DESCRIPTION

This proposal changes laws regarding health care.

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 Social Services
Office of the Governor
Department of Health and Senior Services
Department of Elementary and Secondary Education
Department of Revenue
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Joint Committee on Administrative Rules
County of St. Louis



Mickey Wilson, CPA
Director
May 7, 2015

Ross Strobe
Assistant Director
May 7, 2015