

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4451-01
Bill No.: Perfected SB 581
Subject: Health Care; Health Care Professionals; Insurance - Medical; Hospitals; Medical Procedures and Personnel; Physicians
Type: Original
Date: February 15, 2016

Bill Summary: This proposal prohibits enforcement of any contractual provision that prevents disclosure of the contractual payment amount for health care services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2021)
General Revenue	(\$320,003)	(\$124,290)	(\$126,367)	(\$1,560,836)
Total Estimated Net Effect on General Revenue	(\$320,003)	(\$124,290)	(\$126,367)	(\$1,560,836)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2021)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2021)
Federal Funds*	\$0	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

*Income and Expenses net zero.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2021)
General Revenue	1 FTE	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE	1 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 2017	FY 2018	FY 2019	Fully Implemented (FY 2021)
Local Government	(Greater than \$100,000)	(Greater than \$100,000)	(Greater than \$100,000)	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Social Services**, the **Department of Mental Health**, the **Missouri Consolidated Health Care Plan**, the **Missouri Department of Conservation** and the **Department of Transportation** each assume the original bill would not fiscally impact their respective agencies.

SA #1 - Section 191.875 - Health Care Cost Reduction and Transparency Act

In response to a similar amendment to SB 608, Oversight received the following responses:

Officials from the **Department of Social Services (DSS)**, **MO HealthNet Division (MHD)** stated:

The proposal requires hospitals and ambulatory surgical centers to report prices for the most common procedures.

MHD assumed there will likely be additional administrative costs to a hospital for gathering, compiling and transmitting the required information to the Department of Health and Senior Services (DHSS) in the required form. 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, 2017, the additional cost would begin to be reflected in 2017 or 2018 cost reports. MO HealthNet would use 2017 cost reports to establish reimbursement for SFY21. Therefore, there would not be a fiscal impact to the MO HealthNet Division for FY17, FY18, and FY19 but starting FY21 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) reporting functions in order to comply with this proposed legislation. MHD estimates this cost on average to be \$50,000 for each of the 150 hospitals. Thus, the staff time and the IT costs combined are estimated on average to be \$79,020 per hospital. \$79,020 per hospital with 150 hospitals impacted brings the total estimated cost to hospitals to \$11,853,000. Furthermore, MHD is prorating this increase in costs to hospitals by the SFY 2012 Statewide Mean Medicaid Utilization rate of 32.898% which was calculated by MHD's Independent DSH auditors per DSH Reporting Requirements. Although this calculation is based on days, it is an estimated way to prorate this cost to Medicaid.

ASSUMPTION (continued)

Using this percentage, the estimated cost to Medicaid in FY21 is \$3,899,400 (\$11,853,000 x 32.898%). This cost will be split approximately 37% GR/63% Federal funds.

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

It is assumed that the costs of healthcare reported by hospitals will be captured by a web-based data application developed by 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, the 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.

The BHCADD will be tasked with identifying the 100 most common DRG categories for inpatients and the 20 most common surgery procedures and 20 most common imaging procedures for outpatients. 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. The BHCADD may be asked to identify any under-reporting by the facilities and validate the accuracy of the information reported. The 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 FTE, Research Analyst III (\$40,380 annually). The research analyst will be responsible for working with hospitals to submit their data and then compiling, cleaning, and editing the iterative quarterly files of cost data to prepare the reports for publication on the Department website. The analyst will write 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. One-time costs for office set up of \$6,607 are included in the cost estimate.

ITSD estimates that IT consultants will be needed for approximately 3,383.64 hours at \$75 per hour (\$253,773), with on-going support needed in FYs 18 and 19 (\$52,023 and \$53,324 respectively). In addition, disk storage and back-up recovery will be needed.

ASSUMPTION (continued)

It is assumed that the application will be hosted in the State Data Center 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 FY 16 cost allocation plan.

Total General Revenue costs to implement this proposal are estimated to be \$323,321 in FY17; \$128,416 in FY18; and \$130,596 in FY19.

Oversight assumes the DHSS would not need rental space for 1 FTE.

Oversight notes that MO HealthNet hospital costs will not be incurred until FY 21. As a result, Oversight will extrapolate DHSS costs to FY21 for the fully implemented year of the fiscal note so that all agency costs are included.

Officials from the **Washington County Memorial Hospital** state this proposal will have a fiscal impact on their hospital. Compiling the requested data quarterly is a costly burden and is broadly estimated to be approximately \$50,000 annually.

Officials from the **Samaritan Hospital** state, regarding the terms of the proposal requiring reporting of pricing information, that compiling this information could have a substantial initial cost to the hospital, as well as an on-going cost since it is being requested quarterly.

Officials from the **Golden Valley Memorial Hospital** stated that compiling the information required by this amendment could have a substantial initial cost to their hospital as well as an ongoing cost since the information will have to be provided quarterly.

Oversight notes that Samaritan Hospital and Golden Valley Memorial Hospital did not provide fiscal estimates with their responses. Oversight assumes, with the estimated \$50,000 annual impact from Washington County Memorial Hospital that the annual impact to local hospitals will be unknown, greater than \$100,000 annually.

In addition, Oversight notes that hospitals will begin receiving additional Medicaid reimbursements beginning in FY21 as the MO HealthNet Division uses the 4th prior year hospital cost report for hospital reimbursements. The increase in reimbursements is unknown, but assumed to be less than the total costs incurred by the hospitals.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2021)
GENERAL REVENUE FUND				
<u>Costs - DSS (\$191.875)</u>				
Increased hospital reimbursements	\$0	\$0	\$0	(\$1,430,183)
<u>Costs - DHSS (\$191.875)</u>				
Personal service	(\$33,650)	(\$40,784)	(\$41,192)	(\$42,020)
Fringe benefits	(\$17,603)	(\$21,234)	(\$21,346)	(\$21,572)
Equipment and expense	(\$14,877)	(\$10,171)	(\$10,425)	(\$10,953)
IT costs	(\$253,873)	(\$52,101)	(\$53,404)	(\$56,108)
Total <u>Costs</u> - DHSS	<u>(\$320,003)</u>	<u>(\$124,290)</u>	<u>(\$126,367)</u>	<u>(\$130,653)</u>
FTE Change - DHSS	1 FTE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE				
	<u>(\$320,003)</u>	<u>(\$124,290)</u>	<u>(\$126,367)</u>	<u>(\$1,560,836)</u>
Estimated Net FTE Change for GR	1 FTE	1 FTE	1 FTE	1 FTE
FEDERAL FUNDS				
<u>Income - DSS (\$191.875)</u>				
Increase in program reimbursements	\$0	\$0	\$0	\$2,469,217
<u>Costs - DSS (\$191.875)</u>				
Increase in program expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$2,469,217)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2021)
LOCAL GOVERNMENTS - HOSPITALS				
<u>Income - Hospitals</u> (\$191.875) Increase in MO HealthNet reimbursements	\$0	\$0	\$0	Unknown
<u>Costs - Hospitals</u> Increase in data compiling and reporting costs (\$191.875)	(Greater than <u>\$100,000</u>)	(Greater than <u>\$100,000</u>)	(Greater than <u>\$100,000</u>)	(Greater than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - HOSPITALS	<u>(Greater than \$100,000)</u>	<u>(Greater than \$100,000)</u>	<u>(Greater than \$100,000)</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

HEALTH CARE COST AND TRANSPARENCY ACT (Section 191.875)

This provision, known as the "Health Care Cost Reduction and Transparency Act," requires hospitals 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 outpatient hospital settings.

Additionally, health care providers and health carriers must provide, within 5 days of a written patient or consumer request, an estimate of cost of health care services. This estimate shall be accompanied by specified language. If a hospital provides the reporting data to the Department and such data is placed on the Department's website, the hospital does not have to provide cost estimates to patients upon written request. Health care providers must also make available the percentage or amount of any discounts for cash payment of incurred charges through the provider's website or at the provider's location.

Any data disclosed to the Department by a hospital under this provision 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 provision, 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 provision to be used by any person or entity for commercial purposes.

The information regarding hospital inpatient procedures and outpatient surgical and imaging procedures shall be submitted beginning with the quarter ending June 30, 2017, and quarterly thereafter. The Department shall provide such information on its 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.

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
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Department of Transportation
Department of Social Services - MO HealthNet Division
Department of Health and Senior Services
Washington County Memorial Hospital
Hermann Area District Hospital
Samaritan Hospital
Golden Valley Memorial Hospital



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