

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4834-02
Bill No.: SB 608
Subject: Health Care; Health Care Professionals; Medicaid; Social Services Department
Type: Original
Date: January 11, 2016

Bill Summary: This proposal authorizes certain MO HealthNet health care provider fees.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$8,269)	\$146,756	\$151,538
Total Estimated Net Effect on General Revenue	(\$8,269)	\$146,756	\$151,538

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

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

* Income, expenses, savings and loss net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	0.37	0.37	0.37
Federal	0.63	0.63	0.63
Total Estimated Net Effect on FTE	1	1	1

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
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Section 208.142 - \$8 Copayment for ER Visits for Treatment of Non-emergency Medical Conditions

Beginning October 1, 2016, the DSS shall require MO HealthNet (MHD) participants to pay an eight dollar copayment fee for use of a hospital emergency department for the treatment of a condition that is not an emergency medical condition. The Department shall promulgate rules for the implementation of this act.

The Centers for Medicare and Medicaid Services must approve an amendment to the Medicaid and Children's Health Insurance State Plan to charge an eight dollar co-pay for the use of emergency room services for the treatment of a nonemergency condition. The copayment must be reduced from the hospital payment. This would cause a cost savings.

In Calendar Year (CY) 2014 there were a total estimated 88,724 avoidable fee-for-service emergency room visits. Pregnant women aren't charged a co-pay. MHD estimates approximately 5 percent of the emergency room visits were pregnant women (4,435). That leaves 84,289 visits where a co-pay is charged. MHD currently charges a \$3.00 co-pay for Outpatient/Emergency Room Services. Changing the co-pay to \$8.00 would cause a \$5.00 increase. This would create a savings of \$421,445 (84,289 visits X \$5.00 increase in fee charged). A 3% inflation rate was added for FY 2017 through FY 2019.

The annual savings for the first full year will be \$434,088.35 ($\$421,445.00 \times 1.03$). To calculate the FY 2017 savings, the first full year savings would only be for ten months for a savings of \$361,740.29 ($\$434,088.35 \times 10/12$).

Total cost savings for MHD would be:

FY 2017 (10 months):	Total \$361,740 (GR \$133,019; Federal \$228,721);
FY 2018 (12 months):	Total \$447,111 (GR \$164,412; Federal \$282,699); and
FY 2019 (12 months):	Total \$460,524 (GR \$169,344; Federal \$291,180).

MHD assumes that a \$5.00 increase to the co-pay will not divert participants from going to the emergency room.

ASSUMPTION (continued)

MHD currently uses a diagnosis algorithm for identifying a claim as potentially Low-Acuity Non-Emergency (LANE). MHD would adopt LANE algorithm for certain procedure codes and it would be on the hospitals to send MHD verification on whether the visit was an emergent or non-emergent visit. Assuming that the hospitals send MHD information stating whether a visit was emergent or non-emergent, it would cost MHD \$250,000 to update its system to create the separate co-pays.

Cost to update the system:

FY 17:	Total \$250,000 (GR \$125,000; Federal \$125,000);
FY 18:	Total \$0 (GR \$0); and
FY 19:	Total \$0 (GR \$0)

MHD would need 1 new FTE at the Licensed Practical Nurse I level to audit and review any emergency room LANE type claims that hospitals deem emergent.

Cost to for 1 new FTE:

FY 17 (10 months):	Total \$48,762 (GR \$17,930; Federal \$30,832);
FY 18 (12 months):	Total \$51,500 (GR \$18,938; Federal \$32,562); and
FY 19 (12 months):	Total \$51,996 (GR \$19,120; Federal \$32,876).

MHD, therefore, assumes total FY 17 costs of \$298,762 (GR \$142,930; Federal \$155,832); total FY 18 costs of \$51,500 (GR \$18,938; Federal \$32,562); and total FY 19 costs of \$51,996 (GR \$19,120; Federal \$32,876).

Oversight assumes MHD would not need rental space for one FTE.

Section 208.148 - Failure for Missing Appointment/ Providing 24-hour Cancellation Notice

This act also states MO HealthNet providers shall be permitted to prohibit a participant who misses an appointment or fails to provide twenty-four hour notice of cancellation from scheduling another appointment until the participant has paid a missed appointment fee to the health care provider. The Centers for Medicare and Medicaid Services (CMS) must approve an amendment to the Medicaid and Children's Health Insurance State Plan for this section. This language could potentially increase MHD's costs but it is unknown whether this would occur.

Since MHD is uncertain whether the provisions of section 208.148 will have an impact on their organization, **Oversight** is not presenting this information in the impact section of the fiscal note. If the impact would be significant, DSS could request additional funding through the appropriations process.

ASSUMPTION (continued)

Officials from the **DSS, Division of Legal Services (DLS)** state under 42 CFR 447.54 the federal government sets maximum copayment restrictions on states receiving federal funding. For any service over \$50.01, the maximum copayment amount a state may set is \$3.40. However, under 42 CFR 447.54(b) "upon approval from CMS, the requirement that cost sharing charges must be nominal may be waived, in accordance with section 431.55(g) for nonemergency services furnished in a hospital emergency room."

DLS assumes no fiscal impact.

Officials from the **University of Missouri (UM)** state the proposal should not create additional expenses in excess of \$100,000.

Oversight assumes the UM's statement indicates any costs that may be incurred are absorbable within current funding levels.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

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 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 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
(\$208.142)			
<u>Savings - DSS-MHD</u>			
Reduction in payments to hospitals	\$133,019	\$164,412	\$169,344
<u>Costs - DSS-MHD</u>			
Personal service	(\$8,564)	(\$10,380)	(\$10,484)
Fringe benefits	(\$5,432)	(\$6,547)	(\$6,575)
Equipment and expense	(\$2,292)	(\$729)	(\$747)
MMIS update	<u>(\$125,000)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs - DSS-MHD</u>	<u>(\$141,288)</u>	<u>(\$17,656)</u>	<u>(\$17,806)</u>
FTE Change - DSS	0.37 FTE	0.37 FTE	0.37 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND			
	<u>(\$8,269)</u>	<u>\$146,756</u>	<u>\$151,538</u>
Estimated Net FTE Change on the General Revenue Fund	0.37 FTE	0.37 FTE	0.37 FTE
FEDERAL FUNDS (\$208.142)			
<u>Income - DSS-MHD</u>			
Program reimbursements	\$154,041	\$30,359	\$30,617
<u>Savings - DSS-MHD</u>			
Reduction in payments to hospitals	\$228,721	\$282,699	\$291,180
<u>Costs - DSS-MHD</u>			
Personal service	(\$14,726)	(\$17,848)	(\$18,026)
Fringe benefits	(\$9,341)	(\$11,257)	(\$11,306)
Equipment and expense	(\$4,974)	(\$1,254)	(\$1,285)
MMIS updates	<u>(\$125,000)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Cost - DSS-MHD</u>	<u>(\$154,041)</u>	<u>(\$30,359)</u>	<u>(\$30,617)</u>
FTE Change - DSS	0.63 FTE	0.63 FTE	0.63 FTE
<u>Loss - DSS-MHD</u>			
Reduction in program reimbursements	<u>(\$228,721)</u>	<u>(\$282,699)</u>	<u>(\$291,180)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	0.63 FTE	0.63 FTE	0.63 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business medical offices may see an increase in the number of visits by MO HealthNet fee-for-service participants that opt not to go to the emergency room for non-emergent conditions as a result of higher co-pays. However, small business medical offices may also experience higher administrative costs associated with administering penalties on MO HealthNet recipients not showing up for appointments or cancelling less than 24 hours in advance.

FISCAL DESCRIPTION

Beginning October 1, 2016, the Department of Social Services shall require MO HealthNet participants to pay an eight dollar copayment fee for use of a hospital emergency department for the treatment of a condition that is not an emergency medical condition. The Department shall promulgate rules for the implementation of this act. (§208.142)

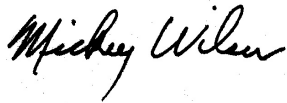
This act also permits MO HealthNet health care providers to charge a missed appointment fee to MO HealthNet participants that such participants must pay before scheduling another appointment with that provider. The fee may be charged for missed appointments or for failing to cancel an appointment within 24 hours prior to the appointment. The permissible fees are as follows: \$5 for the first missed appointment, \$10 for the second missed appointment, and \$20 for the third and each subsequent appointment. The health care provider shall not charge to nor shall the MO HealthNet participant be reimbursed by the MO HealthNet program for the missed appointment fee.

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

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SOURCES OF INFORMATION

Department of Social Services
Joint Committee on Administrative Rules
Office of Secretary of State
University of Missouri



Mickey Wilson, CPA
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January 11, 2016

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January 11, 2016