

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4834-04  
Bill No.: HCS for SS for SB 608  
Subject: Health Care; Health Care Professionals; Medicaid/MO HealthNet; Social Services Department  
Type: Original  
Date: April 15, 2016

Bill Summary: This proposal changes provisions of law relating to health care.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
General Revenue	(\$31,972)	\$118,200	\$122,126	(\$1,299,248)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$31,972)</b>	<b>\$118,200</b>	<b>\$122,126</b>	<b>(\$1,299,248)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
<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 14 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Fully Implemented (FY 2022)</b>
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 2022 income and expenditures exceed \$2.7 million and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Fully Implemented (FY 2022)</b>
General Revenue	0.37	0.37	0.37	0.37
Federal	0.63	0.63	0.63	0.63
<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>				
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Fully Implemented (FY 2022)</b>
<b>Local Government</b>	<b>(Greater than \$300,000)</b>	<b>(Greater than \$300,000)</b>	<b>(Greater than \$300,000)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §197.170 - Health Care Cost Reduction and Transparency Act

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state section 190.170 establishes the Health Care Cost Reduction and Transparency Act.

MHD assumes 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 format or on the facility's website. MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Since the first reporting requirement is effective not later than July 1, 2017, the additional cost would begin to be reflected in 2018 cost reports. MO HealthNet would use 2018 cost reports to establish reimbursement for State Fiscal Year (SFY) 2022. Therefore, there would not be a fiscal impact to the MHD for FY's 17-21, but starting in FY 2022 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) annually. 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 in the state. 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 (Disproportionate Share Hospital) 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 \$3,899,400 (\$11,853,000@ 32.898%). Medicaid costs will be allocated between the General Revenue Fund and federal funds according to the federal match percentage (approximately 37%/63%).

Officials from the **Washington County Memorial (WCM) Hospital** state this bill would result in additional costs for health care providers to track and report the requirements of the bill. It is anticipated the annual costs to comply with the bill for WCM Hospital would be approximately \$50,000.

ASSUMPTION (continued)

In response to similar provisions (HCS HB 2269/ LR 4636-03), officials from the **Cass Regional Medical Center (CRMC)** stated, based on the language to provide cost estimates and then contact insurance companies to find out what might be paid by them, as well as the requirement to estimate copayments, deductibles, etc., CRMC estimates it will require additional manpower estimated to be three (3) to five (5) FTE. Assuming an average cost of \$20 per hour plus 20% for fringe benefits, CRMC estimates an annual cost to comply of \$150,000 to \$250,000 annually

In response to similar provisions (HCS HB 2269/ LR 4636-03), officials from the **Hermann Area District Hospital** assumed this proposal would cost approximately \$10,000 annually based on doing quarterly work.

**Oversight** notes there are approximately 150 hospitals within the state of Missouri. Approximately 30 hospitals are district or county/city/community hospitals. If each of these 30 hospitals anticipated \$10,000 in additional costs to comply with the provisions of the bill, the total local government fiscal impact would be greater than \$300,000 annually. Therefore, Oversight will present Local Government costs as unknown greater than \$300,000 annually since at least some hospitals' costs will exceed \$10,000 annually.

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

Officials from the **DSS, MHD** state this section requires MO HealthNet (MHN) 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 beginning October 1, 2016. A participant's failure to pay this copayment shall not reduce or otherwise affect MO HealthNet reimbursement to the provider. The Department shall promulgate rules for the implementation of this act.

The Centers for Medicare and Medicaid Services (CMS) 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. If CMS does not approve the amendments, the MHD will not implement this provision pursuant to Section 208.158, RSMo, which states "payments of medical assistance in federally aided programs shall be made only during such times as grants-in-aid are provided or made available to the state on the basis of the state plan approved by the federal government."

ASSUMPTION (continued)

In Calendar Year (CY) 2014 there were a total estimated 88,724 avoidable fee-for-service emergency room visits. MHD assumes this legislation will not implement a co-pay for pregnant women or children who are currently exempt from such requirements. MHD estimates approximately 5 percent of the emergency room visits were pregnant women (4,435) and 16.5 percent of the visits were children (14,639). That leaves 69,650 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 \$348,248 (69,650 visits X \$5.00 increase in fee charged). A 3% inflation rate was added for FY 2017 through FY 2021.

The annual savings for the first full year will be \$358,695 ( $\$348,248 \times 1.03$ ). To calculate the FY 2017 savings, the first full year savings would only be for ten months for a savings of \$298,913 ( $\$358,695 \times 10/12$ ).

Total cost savings for MHD would be:

FY 2017 (10 months):	Total \$298,913 (GR \$109,916; Federal \$188,997);
FY 2018 (12 months):	Total \$369,456 (GR \$135,856; Federal \$233,600);
FY 2019 (12 months):	Total \$380,540 (GR \$139,932; Federal \$240,608); and
FY 2022 (12 months):	Total \$415,826 (GR \$152,908; Federal \$262,918) fully implemented.

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

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 2017:	Total \$250,000 (GR \$125,000; Federal \$125,000);
FY 2018:	Total \$0 (GR \$0); and
FY 2022:	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.

ASSUMPTION (continued)

Cost to for 1 new FTE:

FY 2017 (10 months): Total \$48,762 (GR \$17,930; Federal \$30,832);  
FY 2018 (12 months): Total \$51,500 (GR \$18,938; Federal \$32,562);  
FY 2019 (12 months): Total \$51,996 (GR \$19,120; Federal \$32,876); and  
FY 2022 (12 months): Total \$53,529 (GR \$19,685; Federal \$33,844) fully implemented.

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

Section 208.142.1 also specifies a participant's failure to pay the \$8 copayment shall not reduce or otherwise affect MO HealthNet reimbursement to the provider. As written, MHD assumes this will not impact the reimbursement rate currently paid to providers and, therefore, has no fiscal impact to MHD.

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

**DSS, MHD** states this section allows MO HealthNet providers 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 must approve an amendment to the Medicaid and Children's Health Insurance Program State Plan for this section. This language could potentially increase MHD's costs but it is unknown whether this would occur. If CMS does not approve such amendments, MO HealthNet will not implement this provision pursuant to Section 208.158, RSMo, which states "payments of medical assistance in federally aided programs shall be made only during such times as grants-in-aid are provided or made available to the state on the basis of the state plan approved by the federal government."

§208.800 - Best Clinical Practices

**DSS, MHD** officials state this section will have no fiscal impact to MHD.

**Bill as a Whole:**

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** assume the proposal would not fiscally impact their agency.

ASSUMPTION (continued)

Officials from the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Mental Health** each assume the proposal would not fiscally impact their respective agencies.

In response to the similar legislation containing rule-making authority for state agencies, 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.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2022)
<b>GENERAL REVENUE FUND</b>				
<u>Savings - DSS-MHD</u> (\$208.142)				
Reduction in payments to hospitals	\$109,916	\$135,856	\$139,932	\$152,908
<u>Costs - DSS</u> (\$197.170)				
Increase in hospital reimbursements	\$0	\$0	\$0	(\$1,433,887)
<u>Costs - DSS-MHD</u> (\$208.142)				
Personal service	(\$8,564)	(\$10,380)	(\$10,484)	(\$10,801)
Fringe benefits	(\$5,432)	(\$6,547)	(\$6,575)	(\$6,662)
Equipment and expense	(\$2,892)	(\$729)	(\$747)	(\$806)
MMIS update	<u>(\$125,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs - DSS-</u> MHD	<u>(\$141,888)</u>	<u>(\$17,656)</u>	<u>(\$17,806)</u>	<u>(\$18,269)</u>
FTE Change - DSS	0.37 FTE	0.37 FTE	0.37 FTE	0.37 FTE
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$31,972)</u></b>	<b><u>\$118,200</u></b>	<b><u>\$122,126</u></b>	<b><u>(\$1,299,248)</u></b>
Estimated Net FTE Change on the General Revenue Fund	0.37 FTE	0.37 FTE	0.37 FTE	0.37 FTE



<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2022)
<b>FEDERAL FUNDS</b>				
<u>Income - DSS</u> (\$197.170)				
Increase in program reimbursements	\$0	\$0	\$0	\$2,465,513
<u>Income - DSS</u> (\$208.142)				
Increase in program reimbursements	\$153,851	\$30,359	\$30,617	\$31,412
<u>Savings - DSS-MHD</u> (\$208.142)				
Reduction in payments to hospitals	<u>\$188,997</u>	<u>\$233,600</u>	<u>\$240,608</u>	<u>\$262,918</u>
<u>Total Income and Savings - DSS</u>	<u>\$342,848</u>	<u>\$263,959</u>	<u>\$271,225</u>	<u>\$2,759,843</u>

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2022)
<b>FEDERAL FUNDS (continued)</b>				
<u>Costs - DSS</u> (\$197.170)				
Increase in program expenditures	\$0	\$0	\$0	(\$2,465,513)
<u>Costs - DSS-MHD</u> (\$208.142)				
Personal service	(\$14,726)	(\$17,848)	(\$18,026)	(\$18,573)
Fringe benefits	(\$9,341)	(\$11,257)	(\$11,306)	(\$11,455)
Equipment and expense	(\$4,784)	(\$1,254)	(\$1,285)	(\$1,384)
MMIS updates	<u>(\$125,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Cost - DSS- MHD</u>	<u>(\$153,851)</u>	<u>(\$30,359)</u>	<u>(\$30,617)</u>	<u>(\$31,412)</u>
FTE Change - DSS	0.63 FTE	0.63 FTE	0.63 FTE	0.63 FTE
<u>Loss - DSS-MHD</u> (\$208.142)				
Reduction in program reimbursements	<u>(\$188,997)</u>	<u>(\$233,600)</u>	<u>(\$240,608)</u>	<u>(\$262,918)</u>
Total <u>Costs and Losses - DSS</u>	<u>(\$342,848)</u>	<u>(\$263,959)</u>	<u>(\$271,225)</u>	<u>(\$2,759,843)</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>
Estimated Net FTE Change on Federal Funds	0.63 FTE	0.63 FTE	0.63 FTE	0.63 FTE

<u>FISCAL IMPACT -</u>				
<u>Local Government</u>	FY 2017	FY 2018	FY 2019	Fully Implemented
	(10 Mo.)			(FY 2022)

**LOCAL GOVERNMENTS - COUNTY HOSPITALS**

Income - County Hospitals  
 (\$197.710)

Increase in reimbursements	\$0	\$0	\$0	Unknown
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Costs - County Hospitals  
 (\$197.710)

Increase in operating costs	<u>(Greater than \$300,000)</u>	<u>(Greater than \$300,000)</u>	<u>(Greater than \$300,000)</u>	<u>(Greater than \$300,000)</u>
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**ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - COUNTY HOSPITALS**

	<u>(Greater than \$300,000)</u>	<u>(Greater than \$300,000)</u>	<u>(Greater than \$300,000)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

This proposal will directly impact small business health care providers as they will have to make available on their internet website the most current price information for their top twenty-five most frequently reported health care services or procedures. (§191.875)

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. (§§ 208.142 and 208.148)

## FISCAL DESCRIPTION

§197.710 - This bill establishes the Health Care Cost Reduction and Transparency Act that requires each health care provider licensed in Missouri to make available to the public and on its Internet website the most current price information required under these provisions in a manner that is easily understood by the public.

Beginning January 1, 2017, and quarterly thereafter, each health care provider licensed in Missouri must provide the amount that will be charged to a patient for each health care service or procedure if all charges are paid in full without a public or private third party paying for any portion of the charges for the 25 most frequently reported health care services or procedures. A health care provider or facility must not be required to report the information required by these provisions if the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

Beginning January 1, 2017, and quarterly thereafter, the bill requires hospitals, ambulatory surgical centers, and imaging centers to make available to the public information on the total cost of the 25 most common surgical procedures and the 20 most common imaging procedures, by volume, performed in hospital or outpatient settings or in ambulatory surgical centers or imaging centers including the related current procedural terminology and health care common procedure coding system codes. The bill requires hospitals, ambulatory surgical centers, and imaging centers to report specified information as delineated in the bill.

Upon request of a patient for the cost of a particular health care service or procedure, imaging procedure, or surgery procedure reported under these provisions, a health care provider or facility must provide the information to the patient in writing, either electronically or by mail, within three business days after receiving the request. Posting of such charges on the health care provider's or facility's website must constitute compliance with these provisions.

Beginning July 1, 2018, all hospitals, ambulatory surgical centers, and imaging centers to make available to the public an estimate of the most current direct payment price information for the 25 most common surgical procedures or 20 most common imaging procedures, as appropriate, performed in such facilities. Upon written request of a patient for the direct payment cost of a particular health care service or procedure, imaging procedure, or surgery procedure, a provider or facility must provide an estimate of the direct payment price information in writing within five business days upon receipt of the request and permits a specific link to such estimated prices and making such estimated prices publicly available must constitute compliance with this requirement. There is an exception to the provisions of the bill for emergency departments that are required to comply with the Emergency Medical Treatment and Active Labor Act. It is a

FISCAL DESCRIPTION (continued)

condition of participation in the MO HealthNet Program for health care providers located in Kansas border counties to comply with the provisions of the bill. If a health care provider located in a Kansas border county does not comply with the provisions of the bill, no health care provider located in a Missouri border county must comply with the provisions of the bill.

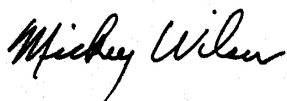
§§208.142 and 208.148 - Beginning October 1, 2016, the Department of Social Services shall require MO HealthNet participants to pay an eight dollar copayment fee for use of a hospital emergency department for the treatment of a condition that is not an emergency medical condition. The Department shall 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.

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 Secretary of State  
University of Missouri Health Care System  
Cass Regional Medical Center  
Hermann Area District Hospital  
Washington County Memorial Hospital



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