

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4862-02
Bill No.: Perfected SB 579
Subject: Health Care; Health and Senior Services Department; Hospitals
Type: Original
Date: February 3, 2016

Bill Summary: This proposal modifies provisions relating to health care facility infection reporting.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
General Revenue	(\$262,029)	(\$268,356)	(\$173,373)	(\$960,718)
Total Estimated Net Effect on General Revenue	(\$262,029)	(\$268,356)	(\$173,373)	(\$960,718)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
University Funds	(\$315,000)	(\$130,000)	(\$130,000)	(Less than \$130,000)
Total Estimated Net Effect on Other State Funds	(\$315,000)	(\$130,000)	(\$130,000)	(Less than \$130,000)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
Federal*	\$0	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

* Income and expenses starting in FY 2022 exceed \$1.3 million annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
General Revenue	2	2	2	2
Total Estimated Net Effect on FTE	2	2	2	2

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 2022)
Local Government	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

§192.667 - Infection reporting

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 each hospital has to establish an Antimicrobial Stewardship Program by no later than August 28, 2017, any additional cost would begin to be reflected in 2017 or 2018 cost reports. MO HealthNet would use 2017 and 2018 cost reports to establish reimbursement for State Fiscal Year (SFY) 2021 and SFY 2022, respectively. Therefore, there would not be a fiscal impact to the MHD for SFYs 2017 through 2020, but starting FY 2021 MHD estimates there could be additional costs with this proposal.

Per the Bureau of Labor Statistics, the average salary of a Registered Nurse in Missouri in 2014 was \$58,040. MHD assumes this proposal will take 25% of a Registered Nurse's time. 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. Then, assuming this will impact approximately 150 Missouri hospitals, the estimated cost of this proposed legislation starting in SFY 2021 could be up to \$6,451,500 per year. Furthermore, to arrive at an impact to Medicaid, 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 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 \$2,122,414 ($\$6,451,500 \times 32.898\%$). Since the requirement is effective for hospitals August 28, 2017, only a portion of the cost would be in SFY 2021. 82 hospitals have a cost report year end between August 28 and December 31. The estimated cost for SFY 2021 is \$1,160,253 ($\$2,122,414 \times 82/150$). The estimated cost for SFY 2022 is \$2,122,411. This cost will be split approximately 37% GR/63% Federal.

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

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 could be necessary. DHSS staff will need to develop statistical standards for any new surgery categories and possibly new facility types

ASSUMPTION (continued)

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.

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).

DHSS provided **Office of Administration (OA), Information Technology Services Division's (ITSD)** costs. ITSD assumes every new IT project/system will be bid out because all ITSD resources are at full capacity. A 12-month project time-line was assumed with the first six (6) months focused on analysis, design and development of the functionality necessary to begin collecting and reporting antibiotic use by January 1, 2017, with the remainder of the development and implementation being completed in FY 2018. The project increases the amount of data being collected, stored and reported. Therefore, costs have been included for additional disk space. ITSD assumes costs to the General Revenue Fund of \$129,770 for FY 2017; \$123,978 for FY 2018; and \$27,447 for FY 2019.

Oversight notes the increase in DSS, MHD's costs do not occur until FY 2022. Oversight extrapolated DHSS and OA, ITSD costs to FY 2022 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 **University of Missouri (UM) Health Care System** has reviewed the proposed legislation and has determined that, as written, it will create an initial expense of approximately \$315,000 and an on-going annual expense of approximately \$130,000.

ASSUMPTION (continued)

For fiscal note purposes only, **Oversight** is presenting the University of Missouri Health Care System costs under “University Funds”. This is not intended to indicate that the Health Care System’s costs are actual costs to the University.

In addition, beginning in FY 2022, **Oversight** assumes the University’s Health Care System costs associated with meeting the requirements of this proposal will be reduced by some unknown amount as the hospital begins to receive increased reimbursements from MHD for the additional costs reported on their cost report. As noted earlier by MHD, hospital reimbursements are based on the fourth prior year cost report.

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 **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 **Department of Mental Health** assume the proposal would not fiscally impact their agency.

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.

Oversight notes that there are 30 hospitals in the state of Missouri that are owned by local political subdivisions. This legislation will impact those hospitals. For fiscal note purposes, **Oversight** assumes an unknown fiscal impact greater than \$100,000 annually for the local political subdivisions that operate these hospitals. Although these hospitals will begin to receive increased reimbursements beginning in FY 2022, **Oversight** assumes the costs will still be greater than \$100,000 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2022)
GENERAL REVENUE FUND				
<u>Costs - DHSS</u> (\$192.667)				
Personal service	(\$67,300)	(\$81,568)	(\$82,384)	(\$84,880)
Fringe benefits	(\$35,206)	(\$42,468)	(\$42,691)	(\$43,373)
Equipment and expense	<u>(\$29,753)</u>	<u>(\$20,342)</u>	<u>(\$20,851)</u>	<u>(\$22,454)</u>
Total <u>Costs - DHSS</u>	<u>(\$132,259)</u>	<u>(\$144,378)</u>	<u>(\$145,926)</u>	<u>(\$150,707)</u>
FTE Change - DHSS	2.0 FTE	2.0 FTE	2.0 FTE	2.0 FTE
<u>Costs - OA- ITSD/DHSS</u> (\$192.667)				
Development, implementation and storage costs	(\$129,770)	(\$123,978)	\$0	\$0
On-going maintenance and storage costs	<u>\$0</u>	<u>\$0</u>	<u>(\$27,447)</u>	<u>(\$29,557)</u>
Total <u>Costs - OA- ITSD/DHSS</u>	<u>(\$129,770)</u>	<u>(\$123,978)</u>	<u>(\$27,447)</u>	<u>(\$29,557)</u>
<u>Costs - DSS</u> (\$192.667)				
Increase in hospital reimbursements	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$780,454)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$262,029)</u>	<u>(\$268,356)</u>	<u>(\$173,373)</u>	<u>(\$960,718)</u>
Estimated Net FTE Change on the General Revenue Fund	2 FTE	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2022)
UNIVERSITY FUNDS				
<u>Costs - UM Health Care System</u> (§192.667)				
Increase in hospital infection reporting costs	<u>(\$315,000)</u>	<u>(\$130,000)</u>	<u>(\$130,000)</u>	<u>(Less than \$130,000)</u>
ESTIMATED NET EFFECT ON UNIVERSITY FUNDS	<u>(\$315,000)</u>	<u>(\$130,000)</u>	<u>(\$130,000)</u>	<u>(Less than \$130,000)</u>
FEDERAL FUNDS				
<u>Income - DSS</u> (§192.667)				
Increase in program reimbursements	\$0	\$0	\$0	\$1,341,960
<u>Costs - DSS</u> (§192.667)				
Increase in hospital reimbursements	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,341,960)</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 2022)
LOCAL GOVERNMENTS - HOSPITALS				
<u>Income - Hospitals</u> (§192.667)				
Increase in reimbursements	\$0	\$0	\$0	Unknown
<u>Costs - Hospitals</u> (§192.667)				
Increase in hospital infection reporting costs	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - HOSPITALS				
	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act requires the Department of Health and Senior Services to include carbapenem-resistant enterobacteriaceae (CRE) in its list of communicable or infectious diseases which must be reported to the Department.

Under current law, the Department is required to disseminate reports to the public based on data compiled showing infection incidence rates for certain infections for hospitals and ambulatory surgical centers. This act adds other infections to be reported, including: hospital and ambulatory surgical center procedure infections that meet certain requirements, central line-related bloodstream infections, health care-associated infections specified by the Centers for Medicare and Medicaid Services (CMS), and other categories of infections established by the Department through rule. The Department shall make such reports available to the public for at least 2 years.

FISCAL DESCRIPTION (continued)

This act requires the Infection Control Advisory Panel to make recommendations to the Department regarding CMS' reporting requirements by January 1, 2017. Panel recommendations shall address which hospitals shall be required, as a condition of licensure, to use specified national networks for data collection, risk analysis and adjustment, or public reporting of infection data. After considering the panel's recommendations, the Department shall implement guidelines from the Centers for Disease Control and Prevention's National Healthcare Safety Network, or its successor. As a condition of licensure, those hospitals that meet the minimum public reporting requirements shall participate in the National Healthcare Safety Network program. Those hospitals shall permit the program to disclose facility-specific data. Those facilities not participating in the program shall submit facility-specific data to the Department as a condition of licensure.

This act also provides that no later than August 28, 2017, each hospital and ambulatory surgical center, excluding mental health facilities, shall establish an antibiotic stewardship program for evaluating the judicious use of antibiotics, especially antibiotics that are the last line of defense against resistant infections. The stewardship program procedures shall be made available to the Department upon inspection. Hospitals shall meet specified national standards for reporting antimicrobial usage or resistance and shall authorize the National HealthCare Safety Network, or its successor, to disclose to the Department facility-specific reported data. Such data shall not be disclosed to the public except under specific circumstances. Beginning January 1, 2018, and every year thereafter, the Department shall report to the General Assembly the incidence, type, and distribution of antimicrobial-resistant infections in the state.

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

Mickey Wilson, CPA

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February 3, 2016



Ross Strope
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February 3, 2016