

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0380-01
Bill No.: SB 97
Subject: Health Care; Health and Senior Services Department; Hospitals
Type: Original
Date: January 11, 2017

Bill Summary: This proposal requires hospitals to adopt and implement evidence-based sepsis protocols.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2022)
General Revenue	(\$158,687)	(\$190,691)	(\$192,648)	(\$2,050,961)
Total Estimated Net Effect on General Revenue	(\$158,687)	(\$190,691)	(\$192,648)	(\$2,050,961)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2022)
University	(\$130,000)	(\$130,000)	(\$130,000)	(Less than \$130,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$130,000)	(\$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 2018	FY 2019	FY 2020	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 expenditures exceed \$3.3 million annually beginning in FY 22 and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2022)
General Revenue	1	1	1	1
Total Estimated Net Effect on FTE	1	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 2018	FY 2019	FY 2020	Fully Implemented (FY 2022)
Local Government	(Expected to exceed \$1,500,000)	(Expected to exceed \$1,500,000)	(Expected to exceed \$1,500,000)	(Unknown, could exceed \$1,500,000)

FISCAL ANALYSIS

ASSUMPTION

§192.680 - Sepsis protocols

Officials from the **Department of Health and Senior Services (DHSS), Division of Regulation and Licensure (DRL)** state all hospitals in the state of Missouri will be required to have a sepsis plan, so all should submit their proposed sepsis protocols to the department for review. There are 164 hospitals overall in the state of Missouri.

DHSS anticipates to review the following number of proposed sepsis protocols each year:

	# of Protocols Reviewed	Explanation
FY 2018	82	It is assumed that in addition to promulgating the rules for the provisions of this legislation a Medical Consultant would be able to review 50 percent of the total submissions, which would 82 submissions, the first year.
FY 2019	103	The remaining 50 percent of the submissions will be reviewed in Fiscal Year 2019. It is assumed that 25 percent of those submitted in Fiscal Year 2018 will be resubmitted in Fiscal Year 2019 due to changes or because DHSS noted hospital-specific performance concerns.
FY 2020	108	Given that protocols shall be resubmitted to the department for review no more than once every two years, the protocols submitted and approved in Fiscal Year 2018 must be resubmitted in Fiscal Year 2020. It is assumed that 25 percent of those submitted in FY 2019 will be resubmitted in Fiscal Year 2020 due to changes or because DHSS noted hospital-specific performance concerns.

DRL does not currently possess expertise in the development and review of sepsis protocols. Conducting this review and analyzing sepsis protocols will require one Medical Consultant (physician) with expertise in infectious disease (\$129,839 annually). It is assumed that an average Medical Consultant will review 100 to 110 protocols annually, with the exception of the first year. This employee would be hired in September 2017.

Total costs to the General Revenue Fund for FY 18 are estimated to be \$158,687; FY 19 are \$190,691; and FY 20 are \$192,648.

ASSUMPTION (continued)

Oversight assumes the DHSS would not need additional rental space for one (1) new FTE for this single proposal. However, Oversight notes, depending on the number of proposals passed during the legislative session, that accumulatively, the DHSS may need additional rental space or capital improvements as determined by the Office of Administration, Facilities Management, Design and Construction.

For fiscal note purposes, **Oversight** has extrapolated DHSS costs to FY 22 based on the Department of Social Services response for when the provisions of this proposal will be fully implemented.

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 costs report. Since each hospital has to establish sepsis protocols by no later than August 28, 2017, any additional cost would begin to be reflected in the 2017 and 2018 cost reports.

MO HealthNet would use 2017 cost reports to establish reimbursement for state fiscal year (SFY) 21.

Therefore, there would not be a fiscal impact to the MHD in SFYs 18 through 20, but starting SFY 21, MHD estimates there could be additional costs associated with this proposal.

In speaking with hospital industry representatives, the hospitals will need to develop sepsis protocols, provide staff training, and have liability protection which on average could cost each hospital \$50,000. This is expected to impact approximately 145 Missouri hospitals and, therefore, the estimated cost of this proposed legislation starting in SFY 21 could be up to \$7,250,000 (145 hospitals X \$50,000). However, MHD assumes the impact will be phased in during SFY 21 since not all hospitals will report this cost on the SFY 17 costs report. Thus, the impact for SFY 21 is estimated at \$3,900,000 (78 hospitals X \$50,000). Furthermore, to arrive at an impact to Medicaid, MHD is prorating this increase in costs to hospitals by the SFY 14 Statewide Mean Medicaid Utilization rate of 35.782%, 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 SFY 21 is \$1,395,498 ($\$3,900,000 \times 35.782\%$). For SFY 22, the impact is estimated at the full \$7,250,000 and then prorated for Medicaid to arrive at the estimated cost to Medicaid of \$2,594,195 ($\$7,250,000 \times 35.782\%$).

To calculate the fund split, the FY 18 Federal Medical Assistance Percentage (FMAP) was used.

FY 21: \$1,395,498 (\$498,751 GR; \$896,747 Federal)
FY 22: \$2,594,195 (\$927,165 GR; \$1,667,030 Federal).

ASSUMPTION (continued)

Oversight notes, based on the following responses from 4 hospitals, that the average cost of this proposal to each hospital could exceed \$97,381 annually. Therefore, Oversight assumes the potential costs to be incurred by the DSS beginning in FY 21 could be double the costs estimated. Oversight will present the following fiscal impact for DSS for fiscal note purposes (2X DSS estimate):

FY 21: \$2,790,996 (\$997,502 GR; \$1,793,494 Federal)
FY 22: \$5,188,390 (\$1,854,330 GR; \$3,334,120 Federal).

Officials from the **Bates County Memorial Hospital (BCMh)** has reviewed the proposed legislation. Based upon the patients seen at BCMh during the 10 month period of January through October 2016, the cost of such a program would be \$209,525 delineated as follows:

- Sepsis screening: 8,317 patients X 10 min./person = 1,836 hrs X \$25/hr avg. RN rate = \$45,900
- Sepsis workup (68 patients admitted with sepsis): 24 hrs X \$25/hr avg. RN rate X 68 patients = \$40,800
- Transfer of sepsis patients (approx. 17 X average of \$2,500/ patient) = \$42,500
- Administrative work related to setting protocols for sepsis management, minimum 80 hrs. X \$50/hr = \$4,000
- Education (webinars and seminars, travel, etc.) = \$9,475
- Preparation of quality measurers data for sepsis initiative = \$2,000
- Supplies = \$500
- Education of front line staff, development of annual training, regulatory updates, etc. = \$3,750
- Lab tests related to sepsis initiative (blood culture \$36,600; Lactic acid \$24,000) = \$60,600

Officials from the **Cooper County Memorial Hospital** state implementation of the provisions of this proposal for their small rural hospital would be very difficult as they do not have the testing available to determine if a patient is in sepsis. As a result it is anticipated the cost of the proposal would exceed \$50,000 annually.

Officials from the **University of Missouri Health Care (MUHC)** have reviewed the proposed legislation and determined that, as written, it should not create additional expenses in excess of \$130,000 annually.

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.

Officials from the **Cass Regional Medical Center** state the proposal will have no fiscal impact on their organization as there is already a sepsis protocol in place.

Oversight notes there are 30 hospitals in the state of Missouri that are owned by local political subdivisions. This legislation will impact those hospitals. Using DSS’ estimate of \$50,000 cost per hospital to implement the proposal, local political subdivisions could have a fiscal impact expected to exceed \$1.5 million annually (30 hospitals X \$50,000).

Officials from the **Department of Mental Health** and the **Joint Committee on Administrative Rules** each assume the proposal would not fiscally impact their respective 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.

Officials from the following **hospitals**: Barton County Memorial Hospital, Cedar County Memorial Hospital, Excelsior Springs Hospital, Golden Valley Memorial Hospital, Hermann Area District Hospital, Samaritan Hospital, 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 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2022)
GENERAL REVENUE FUND				
<u>Costs - DHSS</u> (\$192.680)				
Personal service	(\$108,199)	(\$131,137)	(\$132,449)	(\$135,111)
Fringe benefits	(\$39,380)	(\$49,361)	(\$49,751)	(\$50,544)
Equipment & expense	<u>(\$11,108)</u>	<u>(\$10,193)</u>	<u>(\$10,448)</u>	<u>(\$10,976)</u>
Total <u>Costs - DHSS</u>	<u>(\$158,687)</u>	<u>(\$190,691)</u>	<u>(\$192,648)</u>	<u>(\$196,631)</u>
FTE Change - DHSS	1 FTE	1 FTE	1 FTE	1 FTE
<u>Costs - DSS</u> (\$192.680)				
Increase in MO HealthNet hospital reimbursements	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,854,330)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$158,687)</u>	<u>(\$190,691)</u>	<u>(\$192,648)</u>	<u>(\$2,050,961)</u>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE	1 FTE

FISCAL IMPACT -
State Government

	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2022)
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**UNIVERSITY
 FUNDS**

Income - UM Health
 Care System
 (§192.680)

Increase in reimbursement for sepsis protocol costs	\$0	\$0	\$0	Unknown
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Costs - UM Health
 Care System
 (§192.680)

Sepsis protocol costs	<u>(\$130,000)</u>	<u>(\$130,000)</u>	<u>(\$130,000)</u>	<u>(\$130,000)</u>
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**ESTIMATED NET
 EFFECT ON
 UNIVERSITY
 FUNDS**

	<u>(\$130,000)</u>	<u>(\$130,000)</u>	<u>(\$130,000)</u>	<u>(Less than \$130,000)</u>
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FEDERAL FUNDS

Income - DSS
 (§192.680)
 Program reimbursements for payments made to hospitals

	\$0	\$0	\$0	\$3,334,120
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Costs - DSS
 (§192.680)
 Increase in hospital reimbursements

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$3,334,120)</u>
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**ESTIMATED NET
 EFFECT ON
 FEDERAL FUNDS**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2021)
LOCAL GOVERNMENTS - HOSPITALS				
<u>Income - Local Governments</u> (\$192.680)				
Increase in reimbursements	\$0	\$0	\$0	Unknown
<u>Costs - Local Governments</u> (\$192.680)				
Sepsis protocol implementation costs	<u>(Expected to exceed \$1,500,000)</u>	<u>(Expected to exceed \$1,500,000)</u>	<u>(Expected to exceed \$1,500,000)</u>	<u>(Expected to exceed \$1,500,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - HOSPITALS				
	<u>(Expected to exceed \$1,500,000)</u>	<u>(Expected to exceed \$1,500,000)</u>	<u>(Expected to exceed \$1,500,000)</u>	<u>(Unknown, could exceed \$1,500,000)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal requires each hospital licensed under chapter 197 to adopt, implement, and periodically update evidence-based protocols for the early recognition and treatment of patients with sepsis. Sepsis protocols shall be based on generally accepted standards of care and include components specific to the identification, care, and treatment of adults and children. Protocols to be included in hospital plans are not limited to those outlined in the proposal.

FISCAL DESCRIPTION (continued)

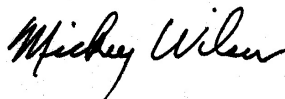
Each hospital is to ensure that all professional staff with direct patient care responsibilities, and professional staff with indirect patient care responsibilities, are periodically trained to implement the sepsis protocols established. Each hospital shall ensure updated staff training upon adoption of substantive changes to the protocols.

Each hospital is responsible for the collection and use of quality measures related to the recognition and treatment of sepsis and each hospital shall submit proposed sepsis protocols to the department for review no later than one hundred and twenty days after August 28, 2017, and shall implement the protocols upon receipt of approval from the department. Protocols shall be resubmitted to the department for review no more than once every two years, unless the department identifies hospital-specific performance concerns.

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 -
 MO HealthNet Division
Joint Committee on Administrative Rules
Office of Secretary of State
University of Missouri
Bates County Memorial Hospital
Cass Regional Medical Center
Cooper County Memorial Hospital



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