

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0380-03
Bill No.: SCS for SB 97
Subject: Health Care; Health and Senior Services Department; Hospitals
Type: Original
Date: February 16, 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	\$0	\$0	\$0	(\$741,732)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	(\$741,732)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2022)
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 7 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 \$1.3 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)
Total Estimated Net Effect on FTE	0	0	0	0

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	(Up to \$1,200,000)	(Up to \$1,200,000)	(Up to \$1,200,000)	(Less than \$1,200,000)

FISCAL ANALYSIS

ASSUMPTION

§192.680 - Sepsis protocols for hospitals

Officials from the **Department of Health and Senior Services** assume the proposal would not fiscally impact their agency.

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 \$40,000. 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 \$5,800,000 (145 hospitals X \$40,000). 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 \$3,120,000 (78 hospitals X \$40,000). 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 \$1,116,398 (\$3,120,000 X 35.782%). For SFY 22, the impact is estimated at the full \$5,800,000 and then prorated for Medicaid to arrive at the estimated cost to Medicaid of \$2,075,356 (\$5,800,000 X 35.782%).

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

FY 21: \$1,116,398 (\$399,000 GR; \$717,398 Federal)
FY 22: \$2,075,356 (\$741,732 GR; \$1,333,624 Federal).

ASSUMPTION (continued)

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. The real cost implication would surround medical liability and whether insurance rates would go up as a result of this rule to cover potential risks.

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 \$40,000 cost per hospital to implement the proposal, local political subdivisions could have a fiscal impact up to \$1.2 million annually (30 hospitals X \$40,000).

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

Officials from **Golden Valley Memorial Healthcare** responded to **Oversight's** request for a statement of fiscal impact but did not provide information regarding a potential impact.

Officials from the following **hospitals**: Barton County Memorial Hospital, Bates County Memorial Hospital, Cedar County Memorial Hospital, Cooper County Memorial Hospital, Excelsior Springs Hospital, Hermann Area District Hospital, Samaritan Hospital, Putnam County Memorial Hospital, the University of Missouri Health System and Washington County Memorial Hospital did not respond to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2022)
GENERAL REVENUE FUND				
<u>Costs - DSS</u> (§192.680)				
Increase in MO HealthNet hospital reimbursements				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$741,732)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$741,732)</u>

FISCAL IMPACT -
State Government

	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2022)
FEDERAL FUNDS				
<u>Income - DSS</u> (\$192.680)				
Program reimbursements for payments made to hospitals	\$0	\$0	\$0	\$1,333,624
<u>Costs - DSS</u> (\$192.680)				
Increase in hospital reimbursements	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,333,624)</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 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2022)
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 costs	<u>(Up to \$1,200,000)</u>	<u>(Up to \$1,200,000)</u>	<u>(Up to \$1,200,000)</u>	<u>(Up to \$1,200,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - HOSPITALS	<u>(Up to \$1,200,000)</u>	<u>(Up to \$1,200,000)</u>	<u>(Up to \$1,200,000)</u>	<u>(Less than \$1,200,000)</u>

FISCAL IMPACT - Small Business

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

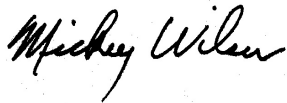
FISCAL DESCRIPTION

Every hospital, as defined in 197.020, but not including a mental health facility as defined in 632.005, shall implement and periodically update, evidence-based protocols for the early recognition and treatment of patients with sepsis. Hospitals are to ensure that all relevant staff are trained to implement the sepsis protocols established. The department of health and senior services may require hospitals to provide documentation of the adoption of sepsis protocols.

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
Cass Regional Medical Center
Golden Valley Healthcare



Mickey Wilson, CPA
Director
February 16, 2017

Ross Strobe
Assistant Director
February 16, 2017