

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2231-03
Bill No.: CCS for HCS for SB 501
Subject: Pharmacy; Health Care; Health Care Professional; Health, Public
Type: Original
Date: May 11, 2017

Bill Summary: This proposal makes changes relating to healthcare.

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 to (\$153,664) | \$0 to (\$155,465) | \$88,183 to (\$70,970) |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 to (\$153,664) | \$0 to (\$155,465) | \$88,183 to (\$70,970) |

| 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 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 All Federal Funds | \$0 | \$0 | \$0 | \$0 |

* Savings and losses 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 FTE | 0 FTE | 0 FTE | 0 FTE |

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 | \$0 | \$0 | \$0 | Less than \$50,000 |

FISCAL ANALYSIS

ASSUMPTION

§ 196.990

In response to a similar proposal from this year (HB 761), officials from the **University of Missouri** assumed this proposal would have a financial impact that would exceed \$100,000 annually on the University. While the information provided makes it somewhat difficult to determine the total number of locations requiring inventory of pens, the University estimate that to be well above 1,000, thereby, resulting in a cost of a minimum of \$300,000 before, training, storage, administering the program, maintaining expired inventory, etc.

Oversight assumes since the provisions regarding the prescription of epinephrine auto-injectors by a physician to an authorized entity and the acquiring of a stock supply of epinephrine auto-injectors by the authorized entity are permissive, no university, county or local health department would incur additional costs unless the entity chooses to incur them.

In response to a similar proposal from this year (HB 761), officials from the **Department of Health and Senior Services, the Department of Mental Health, the Department of Social Services, Divisions of: Legal Services, Youth Services, MO HealthNet and Children's, Office of Administration, General Services Division, the Office of State Courts Administrator, Callaway County, Mississippi County, St. Louis County, Missouri State University, Northwest Missouri State University and the University of Central Missouri** each assumed the proposal would not fiscally impact their respective agencies.

§ 197.005 - 197.100

In response to a similar proposal from this year (HB 1069), officials from the **Department of Health and Senior Services (DHSS), Division of Regulation and Licensure (DRL)** assumed, based on previous conversations with the Centers for Medicaid and Medicare Services (CMS) that the Federal cost vs. General Revenue (GR) split will change to reflect the mirroring of Missouri statutory requirements with CMS regulations. CMS has indicated that when states have licensing statutes that mirror CMS regulations, the Federal/State funding split for survey and certification activities will be 50% Federal/50% State. Currently Missouri receives an 85% Federal/15% State funding split for joint survey and certification activities and 100% Federal funding for certification only activities.

In SFY 16, DRL expended \$208,178 in Personal Service costs related to Hospital Licensing and Certification, of which \$19,987 was GR. If the split were adjusted to 50/50 split, the resulting GR amount would total \$104,089, an increase of \$84,102.

ASSUMPTION (continued)

The average salary of the Health Facility Consultant Nurses who conduct the surveys is \$56,086. $\$84,102/\$56,086 = 1.5$ FTE currently paid with federal funds. 1.5 FTE has a personal service cost of \$84,129, associated E&E costs of \$29,663, and fringe benefits of \$40,516; therefore, DHSS would need an additional \$154,308 in General Revenue to replace the loss in federal funds.

DHSS is unsure if the passage of this legislation would negate other statutory requirements set out in Chapter 197 RSMo, that set the standards for Missouri's Hospital certification and licensure requirements. If these statutes were not negated by this legislation the impact to DHSS would be \$0.

The legislation would become effective July 1, 2018; therefore, there would be no costs incurred in FY 2018. FY2019 increase in costs to General Revenue are estimated to be \$0 - \$156,140 and FY2020 increase in costs is estimated to be \$0 - \$158,004.

Oversight contacted DHSS officials and learned that most of the costs associated with facility surveyors is for work involving the investigation of complaints. This legislation will not reduce the number of complaints that have to be investigated and, therefore, will not reduce the number of FTEs needed to conduct surveys. In addition, state and federal surveys are conducted simultaneously and the proposal will not result in a reduction in the amount of time spent on survey activities.

Oversight notes from the Department of Social Services response that the impact of this proposal on hospital costs will not be reflected in the State's share of costs until FY22. Therefore, Oversight is extrapolating DHSS costs to FY22, when this proposal will be fully implemented.

Officials from the **Department of Social Services (DSS)**, **MO HealthNet Division (MHD)** and **Division of Legal Services (DLS)** state on or after July 1, 2018, hospitals and critical access hospitals that are in compliance with Medicare conditions of participation will also be deemed in compliance with state hospital licensure standards.

The Department of Health and Senior Services may promulgate regulations effective on or after July 1, 2018 to define separate regulatory standards that do not duplicate or contradict the Medicare conditions of participation. Any existing hospital licensure regulations that duplicate or contradict the Medicare conditions of participation will lapse and expire on July 1, 2018.

ASSUMPTION (continued)

MHD assumes this legislation allows hospitals that are in compliance with Medicare licensure standards to also be deemed in compliance with state Medicaid licensure; therefore, there is a potential that savings could be realized by the MO HealthNet Hospital program due to the assumed decrease in administrative costs to hospitals. MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Any savings to the hospitals would begin to be reflected in the 2018 and 2019 cost reports, assuming an effective date of August 28, 2018. Therefore, there would not be a fiscal impact to the MO HealthNet Division for SFY's 18 through 21, but starting SFY 22 MHD estimates there could be savings associated with this proposal. There are 150 in-state hospitals that receive MO HealthNet reimbursement. MHD assumes this proposal will save each hospital \$5,000 per year on average. Furthermore, MO HealthNet is prorating the savings to hospitals by the draft SFY 2012 Statewide Mean Medicaid Utilization rate of 32.9%, which was calculated by MO HealthNet'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 savings to Medicaid. The estimated annual savings to Medicaid is \$246,735.

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. Based on DSS' response, **Oversight** assumes the proposal will have an unknown savings to local governments of less than \$50,000 ($\$5,000 \times 30 \text{ hospitals} \times 32.9\% \text{ Medicaid utilization rate} = \$49,350$) annually for the local political subdivisions that operate these hospitals.

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 **Cass Regional Medical Center** assume the proposal would not fiscally impact their agency.

§ 338.202

Officials from the **Department of Social Services** assume this section increases the authorization of maintenance medication refills to 180 days from the current 90 days. Because of MO HealthNet's day-specific eligibility, allowing dispensing of more than a 31-day supply would be problematic as the participant may not be eligible for the entire period. The legislation does not require MO HealthNet to allow and pay for 180 day refills; therefore, there is no impact to MO HealthNet.

ASSUMPTION (continued)

Bill as a Whole

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

Officials from the **Office of the State Treasurer, Office of the Governor, Department of Agriculture, Missouri Consolidated Health Care Plan, Department of Transportation, Department of Revenue,** and the **Department of Mental Health** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Attorney General's Office** assumed any potential cost arising from this proposal can be absorbed with existing resources.

In response to a previous version, officials from the **Department of Health and Senior Services, the Department of Public Safety - Missouri Highway Patrol, the Office of Prosecution Services** and the **Office of State Courts Administrator** each assume the proposal would not fiscally impact their respective agencies.

In response to a similar proposal from this year (HB 1197), officials from the **Office of the Secretary of State (SOS)** stated 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 - State Government</u> | FY 2018 (10 Mo.) | FY 2019 | FY 2020 | Fully Implemented (FY 2022) |
|---|---------------------|----------------------------------|----------------------------------|--|
| GENERAL REVENUE FUND | | | | |
| <u>Savings - DSS</u> (\$197.005) | | | | |
| Reduction in state- share of hospital administrative costs | \$0 | \$0 | \$0 | \$88,183 |
| <u>Costs - DHSS</u> (\$197.005) | | | | |
| Increase in state share of inspection costs | <u>\$0</u> | <u>\$0 to (\$153,664)</u> | <u>\$0 to (\$155,465)</u> | <u>\$0 or (\$159,153)</u> |
| ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND | <u>\$0</u> | <u>\$0 to (\$153,664)</u> | <u>\$0 to (\$155,465)</u> | <u>\$88,183 to (\$70,970)</u> |

| <u>FISCAL IMPACT - State Government</u> | <u>FY 2018 (10 Mo.)</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>Fully Implemented (FY 2022)</u> |
|---|-----------------------------|---------------------------|---------------------------|--|
| FEDERAL FUNDS | | | | |
| <u>Savings - DSS</u> (§197.005) | | | | |
| Reduction in hospital administrative costs | \$0 | \$0 | \$0 | \$158,552 |
| <u>Savings - DHSS</u> (§197.005) | | | | |
| Reduction in federal share of inspection costs | \$0 | \$0 to \$153,664 | \$0 to \$155,465 | \$0 to \$159,153 |
| <u>Loss - DSS</u> (§197.005) | | | | |
| Reduction in federal reimbursements for hospital administrative costs | \$0 | \$0 | \$0 | (\$158,552) |
| <u>Loss - DHSS</u> (§197.005) | | | | |
| Reduction in federal reimbursement for inspection activities | <u>\$0</u> | <u>\$0 to (\$153,664)</u> | <u>\$0 to (\$155,465)</u> | <u>\$0 to (\$159,153)</u> |
| ESTIMATED NET EFFECT ON FEDERAL FUNDS | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2018 (10 Mo.) | FY 2019 | FY 2020 | Fully Implemented (FY 2022) |
|--|---------------------|------------|------------|-------------------------------------|
| LOCAL GOVERNMENTS - HOSPITALS | | | | |
| <u>Savings - Hospitals</u> (§197.005) | | | | |
| Reduction in administrative costs | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>Less than</u> <u>\$50,000</u> |
| ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - HOSPITALS | | | | |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>Less than</u> <u>\$50,000</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 makes changes relating to healthcare.

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 Public Safety -
 Missouri Highway Patrol
Department of Social Services
Joint Committee on Administrative Rules
Office of State Courts Administrator
Office of Secretary of State
Attorney General's Office
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Department of Transportation
Callaway County
Mississippi County
St. Louis County
Missouri State University
Northwest Missouri State University
University of Central Missouri
University of Missouri
Cass Regional Medical Center



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May 11, 2017

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