

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2231-03
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SB 501
Subject: Pharmacy; Health Care; Health Care Professionals; Health, Public
Type: Original
Date: June 2, 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 9 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

§§ 197.005 - 197.100

Officials from the **Department of Health and Senior Services (DHSS), Division of Regulation and Licensure (DRL)** assume, 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.

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.

ASSUMPTION (continued)

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.

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.

ASSUMPTION (continued)

Bill as a Whole

Officials from the **Missouri State Public Defender (SPD)** assume copies of clients' medical records are often required in the course of representation. As these costs increase as per the proposed legislation, the costs to Missouri State Public Defender increase. An 8% cost increase for retrieval of records and an 8% cost increase for each copy, will have fiscal impact on the State Public Defender.

Oversight assumes the SPD will request additional appropriations for copies of medical records, if needed.

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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 **Attorney General's Office (AGO)** assume any potential cost arising from this proposal can be absorbed with existing resources. The AGO may seek additional appropriations if the proposal results in a significant increase in cases.

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

ASSUMPTION (continued)

Officials from the **Department of Mental Health**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Office of the Governor**, the **Missouri Consolidated Health Care Plan**, the **Department of Agriculture**, the **Office of Administration - General Services**, the **Office of the State Courts Administrator**, the **Department of Transportation**, the **Office of the State Treasurer**, the **Missouri Department of Conservation**, the **Office of Prosecution Services**, the **Jackson County Board of Elections**, the **Springfield Police Department**, the **State Technical College of Missouri**, the **University of Central Missouri** and **Missouri State University** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to the Department of Transportation to estimate the fiscal impact of the proposed legislation on their respective organization.

<u>FISCAL IMPACT -</u> <u>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 -</u> <u>State Government</u> <u>(continued)</u>	<u>FY 2018</u> <u>(10 Mo.)</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Fully</u> <u>Implemented</u> <u>(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.

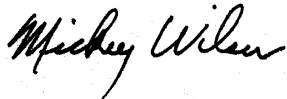
FISCAL DESCRIPTION

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 Social Services
Office of the Governor
Missouri Consolidated Health Care Plan
Department of Agriculture
Office of Administration
Office of the State Courts Administrator
Department of Transportation
Office of the State Treasurer
Missouri Department of Conservation
Office of Prosecution Services
Jackson County Election Board
Springfield Police Department
State Technical College of Missouri
University of Central Missouri
Missouri State University



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June 2, 2017

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