

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2282-01
Bill No.: SB 518
Subject: Administrative Rules; Health and Senior Services Department; Hospitals
Type: Original
Date: March 14, 2017

Bill Summary: This proposal modifies provisions relating hospital licensure.

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 8 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 approximately \$300,000 annually beginning in FY22 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	\$0	\$0	\$0	Less than \$50,000

FISCAL ANALYSIS

ASSUMPTION

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.

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.

ASSUMPTION (continued)

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.

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.

In response to similar legislation from the current session (HB 1069/2164-01), officials from the **Cass Regional Medical Center** assumed the proposal would not fiscally impact their agency.

ASSUMPTION (continued)

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, Bates County Memorial Hospital, Cedar County Memorial Hospital, Cooper County Memorial Hospital, Excelsior Springs Hospital, Golden Valley Memorial 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.

FISCAL IMPACT -
State Government

	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2022)
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**GENERAL
REVENUE FUND**

Savings - DSS
 (§197.005)

Reduction in state-
share of hospital
administrative costs

\$0	\$0	\$0	\$88,183
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Costs - DHSS
 (§197.005)

Increase in state
share of inspection
costs

\$0	<u>\$0 to (\$153,664)</u>	<u>\$0 to (\$155,465)</u>	<u>\$0 to (\$159,153)</u>
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**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>
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FEDERAL FUNDS

Savings - DSS
 (§197.005)

Reduction in
hospital
administrative costs

\$0	\$0	\$0	\$158,552
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Savings - DHSS
 (§197.005)

Reduction in
federal share of
inspection costs

\$0	\$0 to \$153,664	\$0 to \$155,465	\$0 to \$159,153
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<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2022)
FEDERAL FUNDS (continued)				
<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>				
Reduction in administrative costs	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>Less than \$50,000</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - HOSPITALS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>Less than \$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

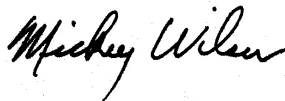
Under this act and beginning July 1, 2018, compliance with Medicare conditions of participation shall be deemed to constitute compliance with the standards for hospital licensure in this state. Nothing in this act shall preclude the Department of Health and Senior Services from promulgating regulations, with specific statutory authorization, to define separate regulatory standards that do not duplicate the Medicare conditions of participation. Regulations promulgated by the Department that duplicate or conflict with Medicare conditions of participation shall lapse and expire on and after July 1, 2018.

This act contains a delayed effective date of July 1, 2018.

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 -
 MO HealthNet Division
 Division of Legal Services
Joint Committee on Administrative Rules
Office of Secretary of State
Cass Regional Medical Center



Mickey Wilson, CPA
Director
March 14, 2017

Ross Strobe
Assistant Director
March 14, 2017