

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3139-04
BILL NO.: SB 736
SUBJECT: Health Care; Health Dept.; Medical Procedures and Personnel; Taxation and Revenue-Income
TYPE: Original
DATE: January 21, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$6,123,114)	(\$17,237,609)	(\$17,241,699)
Total Estimated Net Effect on <u>All</u> State Funds	(\$6,123,114)	(\$17,237,609)	(\$17,241,699)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

SECTION-135.913-Tax credit for Hepatitis A Vaccination

Officials of the **Department of Revenue (DOR)** state this legislation allows a state income tax credit for employers of a food establishment equal to the amount expended for vaccinating its employees against the Hepatitis A virus. This credit, which is effective January 1, 2001, is a nonrefundable tax credit and cannot be carried over to subsequent years.

The number of taxpayers eligible for this tax credit is unknown at this time. The Division of Taxation will need one temporary tax season employee (\$8.00 an hour) for every 130,000 returns filed (key entry), and one Tax Processing Tech I for every 30,000 income tax errors generated by this legislation. In order to process and track the credits, the Division of Taxation will need one Tax Processing Tech I for every 2,000 credits filed on individual tax returns and one Tax Processing Tech I for every 3,680 credits filed on corporate tax returns. One Tax Processing Tech I will also be needed for every 3,000 additional pieces of correspondence generated by this legislation.

This legislation will require modifications to the individual and corporate income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours, a cost of \$41,617. Modifications to tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$451 is requested for on-going costs.

Oversight assumes the Department of Revenue would require 692 hours of overtime at a cost of \$20,808 for modifications to the income tax system. Oversight also estimates that funding for State Data Center charges would be \$5,630 for additional and fields to be captured.

Officials of the **Office of Administration (COA)** deferred to the Department of Health's response.

ASSUMPTION (continued)

Officials of the **Department of Health (DOH)** state this portion of the proposal would have the following impact:

The food establishment will have to pay for the cost of the two-dose hepatitis A vaccine, which currently has a private sector price of \$45 per dose (or nearly \$17 per dose for the public health department.) Administrative costs will be added to the cost of the vaccine itself.

The food establishment will have to maintain and submit to the State of Missouri documentation of hepatitis A vaccination of employees.

The food establishment will also have to develop a written policy on hepatitis A vaccination. However, the legislation does not mandate employer participation in the program or hepatitis A vaccination of employees.

It was assumed by the DOH staff that the hepatitis A requirements in the legislation would require a significant increase in information being collected by the Department of Health and provided to employers. Staff would be needed to coordinate the certification process as well as enter data. The most current information from the Missouri Department of Health and the Missouri Restaurant Association estimate that 180,000 – 260,000 people are employed by 29,000 food establishments in Missouri. DOH assumed that approximately 14,500 food establishments would participate in this program each year.

DOH staff assumes that 50% of the 260,000 (130,000) employees in food establishments would be immunized. DOH also assumes of the 130,000, 30% (39,000) would be immunized by the Local Public Health Agency (LPHA) at a cost of \$16.52 per dose.

Oversight has calculated the revenue impact of the tax credit portion of the proposal as follows:

39,000 employees @ \$16.52 per dose x 2 doses =	\$1,288,560
<u>91,000 employees @ \$45 per dose x 2 doses =</u>	<u>\$8,190,000</u>
130,000 employees	\$9,478,560 x 5% = \$473,928
plus a 5% administration fee	<u>\$ 473,928</u>
	\$9,952,488

Based on the information provided by the Department of Health, this portion of the proposal would generate a revenue loss of \$9,952,488 annually.

ASSUMPTION (continued)

SECTION-192.020-Vaccination in high-risk areas of the State

The **Missouri Department of Health (DOH)** will provide all the necessary vaccine needed by local public health agencies (LPHAs) to immunize unvaccinated people living in areas that are a high-risk for vaccine-preventable diseases. The Department of Health will reimburse the LPHAs for the cost of administering the vaccinations.

If the Missouri Department of Health (DOH) provided the vaccine to the LPHAs and paid them for administration, DOH would expect that the agencies would be able to provide immunizations at no cost to people living in a high-risk area for disease. There are some diseases for which a large portion of Missouri is already considered a high-risk area: influenza, pneumococcal, and adult varicella (chicken pox). Also, the number of diseases for which vaccines are available will continue to increase in the future.

Vaccine – Costs are based on the estimated number of vaccinations that might be required for people living in areas at high-risk for vaccine-preventable diseases as well as the current price for the Department of Health to obtain these vaccines. Also, it is assumed that all of the people identified below will voluntarily receive the vaccinations within three years.

-Influenza:

Recommended immunization for many groups including age 50 and older.
1.5 million Missourians age 50 and older.

Assume that 60% of people age 50 and older will be immunized

(Objective in Strategic Plan).

Assume 30% of adults are immunized by LPHAs (we know this is true for children).

270,000 @ \$2.50 per dose = \$675,000

-Pneumococcal:

Recommended immunization for age 65 and older.

742,100 Missourians age 65 and older.

Assume that 60% of people age 65 and older will be immunized

(Objective in Strategic Plan).

Assume 30% of adults are immunized by LPHAs (we know this is true for children).

133,578 @ \$8.50 per dose x 1 dose = \$1,135,413

-Hepatitis A:

Vaccine offered to all Missouri children 18 years and under who are eligible for the Vaccines for Children (VFC) program because the rate of hepatitis A disease in Missouri is greater than 10 per 100,000.

ASSUMPTION (continued)

Recommended for 881,000 Missouri children not eligible for VFC.
 Assume that 90% of the 881,000 will be immunized.
 We know 30% of children are immunized by LPHAs.
 237,870 children @ \$16.52 per dose x 2 doses = \$7,859,225

-Hepatitis B:

Recommended for many, including people with sexually transmitted diseases.

80,000 Missourians per year receive STD services in public clinics.
 Assume 60% will be immunized.
 48,000 @ \$24.79 per dose x 3 doses = \$3,569,760.

Within five years, all children that attend school will be required to be vaccinated against hepatitis B.

-Adult Varicella:

Recommended for the 5% of susceptible adults age 19 and older.
 190,730 of Missourians age 19 and older are candidates for the vaccine.
 Assume that 60% of 190,730 will be immunized.
 Assume 30% of adults are immunized by LPHAs (we know this is true for children).

34,331 x \$35.41 per dose x 2 doses = \$2,431,321

Contracts with 114 LPHAs – Administration costs were based upon a \$5 per antigen that Medicaid currently reimburses for childhood immunizations.

270,000 doses Influenza	\$675,000
133,578 “ “ Pneumococcal	\$1,135,413
237,870 x 2 “ Hepatitis A, Children	\$7,859,225
39,000 x 2 “ Hepatitis A, Employees	\$1,288,560
48,000 x 3 “ Hepatitis B	\$3,569,760
<u>34,331 x 2 “ Adult Varicella</u>	<u>\$2,431,321</u>
1,169,980 doses @ \$5 per dose = \$5,849,900 for all 3 years. (Annual cost \$1,949,967 rounded to nearest \$).	\$16,959,279 all 3 years.
	<u>-\$1,288,560</u> (food establishments)
	\$15,670,719
	<u>-\$ 136,770</u> (Current budget)
	\$15,533,949 (\$5,177,983 Annually)

This would be the cost to the Department of Health for providing the vaccines to the Local Public Health Agencies (LPHA) and the reimbursement to the LPHAs for administrative costs as figured above. The Department of Health currently has in their budget request \$136,770 from General Revenue to provide influenza and pneumococcal vaccine to the LPHAs.

ASSUMPTION (continued)

SECTION-196.225-Certification of Food Establishments

The **Missouri Department of Health (DOH)** will provide yearly certification of food establishments that have 100% of their employees vaccinated against hepatitis A, and have a policy requiring that all new employees are vaccinated against the disease.

Decals and Certificates – It is assumed that 14,500 hepatitis A decals and certificates will be needed each year. Estimated costs from the Department of Health, Bureau of General Services, are:

- 14,500 decals (colored ink) for the window @ 6 cents each = \$870
- 14,500 certificates (parchment paper) @ 3 cents each = \$435
- Mailing of the 14,500 decals and certificates @ 33 cents each = \$4,785

The Department of Health would request five additional FTE in order to implement the requirements of this legislation.

Oversight has allowed the Department of Health three FTE (1 Health Program Representative III, 1 Health Program Representative II and 1 Clerk Typist II) and the corresponding expense and equipment in order to implement the requirements of this proposal.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>			
Tax credit for Hepatitis A Vaccinations	\$0	(\$9,952,488)	(\$9,952,488)
<u>Cost to General Revenue Fund</u>			
<u>Department of Health</u>			
Vaccination of High-Risk areas	(\$5,939,958)	(\$7,127,950)	(\$7,127,950)
Certification of Food Establishments	(\$5,075)	(\$6,272)	(\$6,460)

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Cost to General Revenue Fund</u>			
<u>Department of Health DOH</u>			
Personal Service (3 FTE)	(\$77,818)	(\$95,716)	(\$98,109)
Fringe Benefits	(\$23,929)	(\$29,433)	(\$30,169)
Expense and Equipment	<u>(\$49,896)</u>	<u>(\$25,750)</u>	<u>(\$26,523)</u>
Total Administrative <u>Costs</u> -DOH	(\$151,643)	(\$150,899)	(\$154,801)
 <u>Cost to General Revenue Fund</u>			
<u>Department of Revenue (DOR)</u>			
Reprogramming Costs	(\$26,438)	\$0	\$0
 ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	 <u>(\$6,123,114)</u>	 <u>(\$17,237,609)</u>	 <u>(\$17,241,699)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small businesses that participate in the employee vaccination program would be expected to be fiscally impacted to the extent that they would receive a tax credit for paying for the hepatitis A vaccination.

DESCRIPTION

This act creates a tax credit and modifies provisions in the law relating to communicable diseases and hepatitis A vaccinations. A food establishment will be allowed to take tax credits for the amount expended on vaccinations for its employees against the hepatitis A virus. An administration fee equal to 5 percent of the total cost may be claimed along with the normal cost of vaccinations. The food establishment must provide proof of all employee vaccinations to the Department of Health and must include proof when filing its tax return with the Department of Revenue. If any tax credit amounts exceed the establishment's annual tax liability, no refund will be allowed and the credit may not be carried over to the following taxable year.

L.R. NO. 3139-04
BILL NO. SB 736
PAGE 8 OF 8
January 21, 2000

DESCRIPTION

(Continued)

Section 192.020 is modified to provide that if the Department of Health determines that a certain area of the state is high-risk due to the prevalence of a specific disease, then the Department must distribute vaccination dosages, if a vaccination exists, to local public health departments in that area. The Department shall reimburse the local departments for the cost of administering the vaccinations. Any individual receiving a vaccination should receive a vaccination card as designed by the Centers for Disease Control and Prevention.

Section 196.225 is modified to require the Department of Health to issue a decal and certificate to food establishments that indicates all employees have been vaccinated against hepatitis A. These should be issued when the Department determines that all establishment employees have been vaccinated and that the establishment has an employee vaccination policy.

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
Department of Revenue
Office of Administration



Jeanne Jarrett, CPA
Director
January 21, 2000