

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3935-04
Bill No.: SB 1063
Subject: Creates provisions relating to insurance mandates, reporting of health data, and the provision of charity care.
Type: Original
Date: February 5, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$272,780)	(\$305,041)	(\$312,913)
Insurance Dedicated Fund	(\$142,926 to \$342,926)	(\$164,356 to \$364,356)	(\$167,270 to \$367,270)
Total Estimated Net Effect on <u>All</u> State Funds	(\$415,706 to \$615,706)	(\$469,397 to \$669,397)	(\$480,183 to \$680,183)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Consolidated Health Care Plan, Department of Public Safety - Missouri Highway Patrol** and **Office of the Governor** stated the proposed legislation does not fiscally impact their organizations.

Officials from the **Office of Administration (COA)** assume the proposed legislation will not fiscally impact their agency unless they would be required to provide the staff necessary for the Mandated Benefit Review Commission. If the COA is required to provide staff, there would be some cost, but the cost is unknown at the present time. For purposes of this fiscal note, the COA assumes the proposed legislation will not have a fiscal impact.

Officials for the **Department of Highways and Transportation (DHT)** also responded for the **Missouri Highway Patrol** medical plan. The DHT officials stated because the legislation does not mandate any health benefit coverage, there would be no fiscal impact to the MHTC or the Highway & Patrol Medical Plan.

Officials from the **Department of Insurance (INS)** stated the INS would require one Health Care Economist (Research Analyst IV) to review and analyze data, work with experts, provide support to commission and prepare required benefit reports. One Research Analyst I-II is required to prepare and conduct surveys, collect data, run statistical reports and assist in preparing reports and analysis required under legislation. The INS assumes that the commission will contract with experts in the areas of health research, biostatistics, and actuarial science in conducting the benefit reviews. Contractual costs are estimated from \$50,000-\$250,000 per year depending on number and type of benefits reviewed. Meeting costs for commission and task force are calculated at \$100 per day for non- governmental members (10 total), 4 meetings per year.

Oversight assumes contractual costs to be in a range between \$50,000- \$250,000 per year and have ranged the costs for fiscal note purposes.

Officials from the **Department of Health and Senior Services (DOH)** stated the DOH would require 2.0 FTE Research Analyst IIIs. One analyst would be assigned duties related to file preparation and management of the public use data files for all the categories of information that are reported by the health care facilities. This analyst would also be responsible for the data reporting and analysis activities, including the preparation of web-based information, for the new category of data on the prospective pricing information. A second Research Analyst III would be assigned to the data reporting and analysis activities related to the collection of charge data, patient abstract data and financial data from the free-standing diagnostic imaging centers.

ASSUMPTION (continued)

The department would also require a Management Analysis Specialist II to perform the data collection, analysis and legislative reporting on the community benefits plans activities affecting the nonprofit hospitals. The MAS II position would also be responsible for performing any information and data support activities for the Mandated Benefit Review Commission and the Missouri Health Care Antitrust Task Force.

The department would hire a Research Manager-Band I to oversee, coordinate and supervise the new data collection, analysis and reporting activities that are required by this bill. The new data reporting categories of prospective pricing information and the community benefits plans require significant research on appropriate content and analysis, based on experience in other states. The new set of data activities is also potentially sensitive and requires appropriate supervision.

The department would need 1.0 FTE Senior Office Support-Keyboarding staff to provide clerical support for the new set of mandated activities. This position would involve support of the data collection and report preparation activities, including data entry, mailings, communications with health care facilities and other clerical support tasks. In addition, this person would be expected to provide clerical support for regulatory and rule-making activities that will be required.

Officials from the **Office of Attorney General, Department of Economic Development, Missouri Department of Conservation, Missouri House of Representatives, Missouri Senate, Barnes-Jewish Hospital, Boone Hospital Center, Capital Region Medical Center, Children's Mercy Hospital, Freeman Health System, Lee's Summit Hospital, Research Medical Center, Southeast Missouri Hospital, SSM Cardinal Glennon Children's Hospital, St. Luke's Hospital, Truman Medical Center, Cooper County Memorial Hospital, Lincoln County Medical Center, Putnam County Memorial Hospital, Texas County Memorial Hospital, Washington County Memorial Hospital, and Western Missouri Medical Center** did not respond to our request for a statement of fiscal impact.

Officials from the **Office of the Secretary of State (SOS)** state this bill creates a public use data file that provides patient abstract data and financial data for health care services, provides for a community benefits plan report by nonprofit hospitals, establishes standards for charity care and community benefits, reviews proposals for health care coverage, creates the Mandated Benefit Review Commission and a Missouri Health Care Cost Antitrust Task Force. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Health and Senior Services and the Department of Insurance could require as many as 80 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the

ASSUMPTION (continued)

Code of State Regulations is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$4,920 [(80 pp x \$27) + (120 pp x \$23)].

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Costs - Department of Health and Senior Services</u>			
Personal Service Costs (5 FTE)	(\$152,725)	(\$187,852)	(\$192,548)
Fringe Benefits	(\$54,996)	(\$67,646)	(\$69,337)
Equipment and Expense	(\$65,059)	(\$49,543)	(\$51,028)
Total <u>Costs</u> - Department of Health and Senior Services	<u>(\$272,780)</u>	<u>(\$305,041)</u>	<u>(\$312,913)</u>
NET ESTIMATED EFFECT ON GENERAL REVENUE FUND	<u>(\$272,780)</u>	<u>(\$305,041)</u>	<u>(\$312,913)</u>
INSURANCE DEDICATED FUND			
<u>Costs - Department of Insurance</u>			
Personal Service Costs (2 FTE)	(\$61,644)	(\$75,822)	(\$77,717)
Fringe Benefits	(\$22,198)	(\$27,304)	(\$27,986)
	<u>(\$59,084 -</u>	<u>(\$61,230 to</u>	<u>(\$61,567 to</u>
Equipment and Expense	<u>\$259,084)</u>	<u>\$261,230)</u>	<u>\$261,567)</u>
Total <u>Costs</u> - Department of Insurance	<u>(\$142,926 to</u> <u>\$342,926)</u>	<u>(\$164,356 to</u> <u>\$364,356)</u>	<u>(\$167,270 to</u> <u>\$367,270)</u>
NET ESTIMATED EFFECT ON INSURANCE DEDICATED FUND	<u>(\$142,926 to</u> <u>\$342,926)</u>	<u>(\$164,356 to</u> <u>\$364,356)</u>	<u>(\$167,270 to</u> <u>\$367,270)</u>

FISCAL IMPACT - Local Government

FY 2003
(10 Mo.)

FY 2004

FY 2005

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Free-standing diagnostic imaging centers that meet the definition of a small business may be negatively impacted by the proposed legislation. The net effect is unknown.

DESCRIPTION

This act creates various provisions relating to the reporting of health care data, how nonprofit hospitals provide charitable care and community benefits, the review of mandated insurance benefit and other measures to control the rising cost of health insurance.

FREESTANDING DIAGNOSTIC IMAGING CENTERS - This act adds freestanding diagnostic imaging centers to the list of entities that must report data to the Department of Health and Senior Services. Freestanding diagnostic imaging centers provide services such as MRIs. Freestanding diagnostic imaging centers will be required to provide patient abstract data and financial data to the Department beginning August 28, 2003.

EXPANDED ACCESS TO DATA - This act repeals the portion of the law which prohibits the Department of Health and Senior Services from disclosing the data submitted by hospitals and ambulatory surgical centers to the public. Under the current law, this raw data is not accessible to the public. The public can only receive reports or studies based upon this data. This data will now be public information in a format known as a public use data file subject to individual privacy laws.

PROSPECTIVE PRICING INFORMATION - This act also requires hospitals, ambulatory surgical centers and freestanding diagnostic imaging centers to provide prospective pricing information regarding their most health care services to the Department of Health and Senior Services. The pricing data must be submitted in a format that is understandable to lay persons so that health care consumers can compare prices of future health care services.

MANDATED BENEFIT REVIEW COMMISSION - This act establishes the Mandated Benefit Review Commission within the Department of Insurance. The Commission will be comprised of the Director of the Department of Insurance, the Director of the Department of Health and Senior Services, four members of the General Assembly (2 Senate/2 House - nonvoting advisory capacity), and six individuals appointed by the governor with the advice and consent of the Senate (2 health insurance purchasers, two employers (small and large), and two employees who

pay a percentage of their
DESCRIPTION (continued)

employer sponsored health insurance. The Commission must be established by October 1, 2002. Once the Commission has been established, it must review all existing state mandated benefits and issue a report to the General Assembly by the tenth legislative day in January 2004. The report shall discuss the projected costs of all state and federal mandates and the Commission shall recommend to the General Assembly which mandated benefits should be repealed from state law.

The Commission shall also review all mandated benefits proposed by member of the General Assembly. Whenever a bill containing a mandated benefit is proposed, the committee having jurisdiction over the proposal shall determine whether the committee favors the proposed mandate or not. If the committee is in favor of the mandate, the committee may refer the matter to the Commission for its review. The committee must review the proposed mandate and issue a report to the committee. The report must contain the social impact of mandating the benefit (see Section 376.1590 for factors), the financial impact of mandating the benefit, the medical efficacy of mandating the benefit, and the effects of balancing the social, economic and medical efficacy considerations. Once a review and evaluation of the mandated benefit has been made by the Commission, the committee shall review the commission's findings. No proposed mandate may be enacted into law unless the Commission has reviewed the mandate.

CHARITABLE CARE BY NONPROFIT HOSPITALS - This act requires nonprofit hospitals to adopt a community benefits plan which will evaluate how nonprofit hospitals provide community benefits and charitable care. This must be conducted by January 1, 2004. Beginning April 1, 2004, the nonprofit hospitals must submit community benefit reports to the Department of Health and Senior Services outlining how their institution provides community benefits. The Department of Health and Senior Services is authorized to assess a \$200 per day civil penalty against nonprofit hospitals who fail to submit a report. With this information, the Department of Health and Senior Services is required to submit an annual report to the General Assembly beginning December 1, 2004. This act authorizes the Department of Health and Senior Services to develop a minimum standard for the provision of charity care and community benefits by nonprofit hospitals. This minimum standard will be used to assess whether nonprofit hospitals are eligible for MoHEFA bonds, appropriations from the tobacco fund, and appropriations from the Missouri disproportionate-share hospital program.

THE MISSOURI HEALTH CARE COST ANTITRUST TASK FORCE - This act establishes the Missouri Health Care Cost Antitrust Task Force. The task force shall be comprised of: the Director of the Department of Insurance, the Attorney General, the Director of the Department of Health and Senior Services, a member representing the interests of hospitals, a member representing the interests of health carriers, and two members representing the interests fo health

care consumers. The task force shall conduct a study of the current status of market concentration of health care plans and hospitals in

DESCRIPTION (continued)

the state. The task force shall study the effect of how the consolidation of health carriers and hospitals in Missouri has translated into higher costs for health care consumers. The task force shall also study whether such consolidation has decreased access to health care consumers in various regions of the state. At the completion of the study, the task force shall submit a report of the findings of the study and recommendations for changes to the Governor and the General Assembly. The report shall include recommendations for possible legislative proposals which would help ensure that there is competition amongst Missouri's health carriers and hospitals and to ensure that such markets forces provide an environment for affordable health care for Missouri's citizens. The report required by this act shall be submitted no later than April 1, 2003.

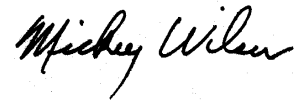
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Consolidated Health Care Plan
Office of the Governor
Department of Highways and Transportation
Department of Public Safety - Missouri Highway Patrol
Office of Administration
Department of Insurance
Department of Health and Senior Services

NOT RESPONDING: Office of Attorney General, Department of Economic Development, Missouri Department of Conservation, Missouri House of Representatives, Missouri Senate, Barnes-Jewish Hospital, Boone Hospital Center, Capital Region Medical Center, Children's Mercy Hospital, Freeman Health System, Lee's Summit Hospital, Research Medical Center, Southeast Missouri Hospital, SSM Cardinal Glennon Children's Hospital, St. Luke's Hospital, Truman Medical Center, Cooper County Memorial Hospital, Lincoln County Medical Center, Putnam County Memorial Hospital, Texas County Memorial Hospital, Washington County Memorial Hospital, and Western Missouri Medical Center.

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A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA
Acting Director
February 5, 2002