

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1115-01  
Bill No.: HB 617  
Subject: Health Care; Hospitals; Health Department; Health Care Professionals  
Type: Original  
Date: February 17, 2015

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Bill Summary: This proposal requires hospitals and ambulatory surgical centers to report prices for the most common procedures.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2020)
General Revenue	(Could exceed \$321,998)	(Could exceed \$126,899)	(Could exceed \$129,149)	(Could exceed \$5,105,797)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Could exceed \$321,998)</b>	<b>(Could exceed \$126,899)</b>	<b>(Could exceed \$129,149)</b>	<b>(Could exceed \$5,105,797)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2020)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2020)
Federal*	\$0	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* FY 2020 income and expenditures exceed \$8 million and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2020)
General Revenue	1	1	1	1
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2020)
Local Government	\$0	\$0	\$0	\$0

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to similar legislation from the current session (SB 46), Oversight is providing the following agency responses. However, it must be noted that the requirements in SB 46 for §197.173.2 was for the total costs of the 20 most common surgical procedures and 20 most common imaging procedures performed in hospital outpatient settings or ambulatory surgical centers (ASCs); HB 617 requires the total costs for the 25 most common surgical procedures and 20 most common imaging procedures performed in hospital **or** outpatient settings or in ASCs. Oversight assumes the differences between SB 46 and HB 617 will impact the potential costs of HB 617. However, the impact is unknown. Therefore, **Oversight** assumes the costs could be higher and will indicate that the costs could exceed those provided in response to SB 46.

### §197.170 (Reporting of Healthcare Costs) and §192.173 (Collection of Healthcare Cost Data)

In response to SB 26, from the current session, officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** stated MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Since the requirements of this proposal would be effective for hospitals for the quarter ending June 30, 2016, any additional cost would begin to be reflected in 2016 cost reports. MHD would use 2016 cost reports to establish reimbursement for SFY 2020 (State Fiscal Year, July 1 through June 30). Therefore, there would not be a fiscal impact to the MO HealthNet Division for FY 2016, FY 2017, and FY 2018, but starting FY 2020 there could be additional costs.

Per the Bureau of Labor Statistics, the average salary of a Registered Nurse in Missouri in 2013 was \$58,040. MHD assumes this proposal will take 50% of a Registered Nurse's time, on average, per facility (or \$29,020). MHD also assumes that hospitals will need to upgrade their information technology (IT) infrastructure and reporting functions in order to comply with this proposed legislation. MHD estimates this cost, on average, to be \$250,000 for each of the 150 hospitals. Thus, the staff time and the IT costs combined are estimated, on average, to be \$279,020 per hospital. Therefore, the total estimated cost of this proposal on Missouri hospitals is estimated to be \$41,853,000 (\$279,020 per hospital X 150 hospitals). Furthermore, MHD is prorating this increase in costs to hospitals by the SFY 2011 Statewide Mean Medicaid Inpatient

ASSUMPTION (continued)

Utilization rate of 32.39%. This percentage was calculated by MHD'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 cost to Medicaid. Using this percentage, the estimated cost to Medicaid is \$13,556,187 ( $\$41,853,000 \times 32.39\%$ ). These costs will be reimbursed as using the Federal/State split of approximately 63%/37%.

In response to SB 46 from the current session, officials from the **Department of Health and Senior Services (DHSS)** stated it was assumed that the costs of healthcare reported by the healthcare facilities will be captured by a web-based data application developed by the Office of Administration (OA) - Information Technology Services Division (ITSD) and that the application will have query capability to provide ad hoc reports for periodic (e.g., quarterly) or annual reports needed for public dissemination. Given the time-sensitive nature of the reporting requirements, the DHSS - Bureau of Health Care Analysis and Data Dissemination (BHCADD) assumes that this application would be a hands-on resource and data tool developed for, and residing in, BHCADD to enable them to have ready access to the data for querying. Furthermore, it is likely that database support would also be needed from ITSD.

BHCADD will be tasked with identifying the one hundred most common DRG categories for hospitals and the twenty most common surgery procedures and twenty most common imaging procedures for outpatients and ambulatory surgical centers. Confidentiality rules will have to be developed and implemented to ensure that individuals cannot be identified in violation of the Health Information Portability and Accountability Act (HIPAA) or other federal law. BHCADD may be asked to identify any under-reporting by the facilities and validate the accuracy of the information reported. BHCADD may also be asked to provide technical assistance with any statistical trend or comparison analysis of the data.

To perform BHCADD activities in accordance with the above assumptions, BHCADD will need one Research Analyst III FTE (\$39,984 annually). The Research Analyst III will be responsible for compiling, cleaning, and editing the iterative quarterly files of cost data to conduct the reports for publication on DHSS' website. The analyst will prepare and run computer programs to perform the analysis on these files. In addition, the analyst will provide any needed technical assistance or consultation on trend and/or comparison analysis that may be requested. The analyst will also be involved in developing and maintaining the confidentiality standards for reporting the cost data on the public site. Furthermore, the analyst will handle any inquiries related to the healthcare cost data.

It will be necessary for BHCADD and Information Technology Services Division (ITSD) to work together to develop an application to collect the information to support this legislation, create reports on the information identified in this proposal, and maintain the system each year.

ASSUMPTION (continued)

ITSD assumed that the application will be hosted in the State Data Center (SDC) on an existing shared hosting environment with an initial disk space requirement of 25gb with per month cost calculated based on rates published in the FY2015 cost allocation plan (CAP).

DHSS officials provided an estimate of the IT costs to implement this proposal based on information provided by Office of Administration, ITSD . OA-ITSD estimated implementation costs of \$253,773 in FY 2016 plus minimal storage costs; FY 2017 on-going system maintenance and storage costs of \$52,079 and FY 2018 on-going costs of \$53,381.

Total DHSS costs to the General Revenue Fund to implement this proposal are estimated to be \$321,998 in FY2016, \$126,899 in FY2017, and \$129,149 in FY2018.

**Oversight** noted the increase in DSS, MHD's costs do not occur until FY 2020. Oversight extrapolated DHSS and OA-ITSD costs to FY 2020 using a 1% inflationary rate for salary related expenses and a 2.5% inflationary rate for all other costs (the same rates currently used in fiscal note calculations) so that Fully Implemented Costs present all agency costs, not just MHD's.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** and the **Joint Committee on Administrative Rules** each assume the proposal would not fiscally impact their respective agencies.

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.

FISCAL IMPACT - State  
Government

	FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2020)
<b>GENERAL REVENUE FUND</b> (§§197.170 and 197.173)				

<u>Costs - DSS</u>				Could exceed...
Increased hospital reimbursements	\$0	\$0	\$0	(\$4,972,003)

<u>Costs - DHSS</u>	Could exceed...	Could exceed...	Could exceed...	Could exceed...
Personal service	(\$33,320)	(\$40,384)	(\$40,788)	(\$41,608)
Fringe benefits	(\$17,328)	(\$21,002)	(\$21,212)	(\$21,638)
Equipment and supplies	(\$17,532)	(\$13,434)	(\$13,768)	(\$14,465)
Total <u>Costs - DHSS</u>	<u>(\$68,180)</u>	<u>(\$74,820)</u>	<u>(\$75,768)</u>	<u>(\$77,711)</u>
FTE Change - DHSS	1 FTE	1 FTE	1 FTE	1 FTE

<u>Costs - OA-ITSD</u>	Could exceed...	Could exceed...	Could exceed...	Could exceed...
ITSD contracted services	<u>(\$253,818)</u>	<u>(\$52,079)</u>	<u>(\$53,381)</u>	<u>(\$56,083)</u>

**ESTIMATED NET  
EFFECT ON THE  
GENERAL REVENUE  
FUND**

	<u>(Could exceed</u>	<u>(Could exceed</u>	<u>(Could exceed</u>	<u>(Could exceed</u>
	<u>\$321,998)</u>	<u>\$126,899)</u>	<u>\$129,149)</u>	<u>\$5,105,797)</u>

Estimated Net FTE impact  
on the General Revenue  
Fund

1 FTE	1 FTE	1 FTE	1 FTE
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**FEDERAL FUNDS**  
(§§197.170 and 197.173)

<u>Income - DSS</u>				Could exceed...
Increase in program reimbursements	\$0	\$0	\$0	\$8,584,184

<u>Costs - DSS</u>				Could exceed...
Increase in program expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$8,584,184)</u>

**ESTIMATED NET  
EFFECT ON FEDERAL  
FUNDS**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local  
Government

FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2020)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business ambulatory surgical centers will have to provide data files to the Department of Health and Senior Services they not currently providing. This will result in increased administrative costs for these facilities. The proposed legislation requires facilities to report data using electronic health records software which smaller facilities may not currently have in place.

FISCAL DESCRIPTION

This proposal requires hospitals and ambulatory surgical centers to submit to the Department of Health and Senior Services prices for 145 of the most common procedures, including the 100 most frequently reported admissions as well as the 25 most common surgical procedures and 20 most common imaging procedures conducted in hospital or outpatient settings or in ambulatory surgical centers.

The Department shall provide such information on its internet website in a manner that is easily understood by the public. Information for each hospital shall be listed separately and hospitals shall be listed in groups by category as determined by the Department through the promulgation of rules. Information for each hospital outpatient Department and each ambulatory surgical center shall also be listed separately.

The information regarding hospital inpatient procedures shall be submitted beginning with the quarter ending June 30, 2016, and quarterly thereafter. The information regarding outpatient surgical and imaging procedures shall be submitted beginning with the quarter ending September 30, 2016, and quarterly thereafter.

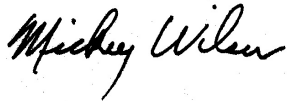
The Department shall promulgate rules outlining the information to be submitted by the hospitals and ambulatory surgical centers including payments made by Medicare, Medicaid and the five largest health carriers.

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

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SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration  
Joint Committee on Administrative Rules  
Office of Secretary of State



Mickey Wilson, CPA  
Director  
February 17, 2014

Ross Strope  
Assistant Director  
February 17, 2014