

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1115-02
Bill No.: HCS for HB 617
Subject: Health Care; Health Care Professionals; Physicians
Type: Original
Date: April 21, 2015

Bill Summary: This proposal requires health care providers to report prices for the most common procedures.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
General Revenue	\$0	\$0	\$0	(Could exceed \$4,972,003)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	(Could exceed \$4,972,003)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
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 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Federal*	\$0	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

* FY 2021 income and expenditures exceed \$8 million and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Total Estimated Net Effect on 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 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Local Government	\$0	\$0	\$0	(Unknown)

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.

Oversight notes the provisions of this substitute no longer require the Department of Health and Senior Services (DHSS) to capture healthcare costs reported by hospitals and ambulatory surgical centers (ASCs). The DHSS no longer has to make available to the public on its internet website the most current price information it receives from these providers for the top one hundred most common Diagnostic Related Group (DRG) categories for hospitals or the twenty most common surgery procedures and twenty most common imaging procedures for outpatients and ASCs.

However, the provisions of this proposal now provide that each health care provider licensed in the state shall make available to the public, and on its internet website if applicable, the most current price information in a manner that is easily understood by the public. A “health care provider” as defined in chapter 376.1350 is a “healthcare professional or a facility” and a “health care professional” is defined as “a physician or other health care practitioner licensed, accredited or certified by the state of Missouri to perform specified health services...” Beginning with the quarter ending June 30, 2016 (4th quarter of FY 2016), and quarterly thereafter, each health care provider is to provide specified information about their twenty-five most frequently reported health care services or procedures. This information is to include the amount to be charged the patient and paid in full without a public or private third party paying any portion of the charges, the average negotiated settlement on that amount, the amount of Medicaid and/or Medicare payments/reimbursement for each procedure or service, and for the five largest health carriers providing payment to the provider on behalf of insureds and state employees, the range and average of the amount of payment made for each health care service or procedure.

Also, beginning with the quarter ending September 30, 2016 (FY 2017), and quarterly thereafter, hospitals and ASCs are to make available to the public information on the total costs for the twenty-five most common surgical procedures and the twenty most common imaging procedures performed in hospital or outpatient settings or in ASCs.

Upon request of a patient for the cost of a particular health care service or procedure, a health care provider is to provide the information required by the provisions of the proposal to the patient, in writing, within three business days after receiving the request.

ASSUMPTION (continued)

Oversight assumes that hospitals will continue to incur additional costs as a result of this proposal since they are still required to make available information on the twenty-five most common surgical procedures and the twenty most common imaging procedures performed in hospital or outpatient settings. It should be noted that hospitals are required to begin reporting this information beginning with the quarter ending September 30, 2016 (FY 2017). Oversight assumes the following response provided by the **Department of Social Services (DSS), MO HealthNet Division (MHD)** to the original version of this proposal to be relevant except that it is expected the increase in costs will occur in FY 2021 rather than FY 2020 because of the change in the reporting period:

Officials from the **DSS- 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 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 X 32.39%). These costs will be reimbursed as using the Federal/State split of approximately 63%/37%.

Oversight also assumes this proposal could impact county hospitals. Although reimbursements by DSS-MHD will increase as costs reported by hospitals increase, DSS-MHD only reimburses a percentage of the increase in costs based on the Medicaid utilization rate. Therefore, Oversight will present net unknown costs to county hospitals.

Officials from the **Department of Mental Health (DMH)** state it is assumed that DMH facilities are not subject to the requirements of Chapter 197. Therefore, there should be no fiscal impact to the DMH.

ASSUMPTION (continued)

Officials from the **Department of Health and Senior Services**, 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.

In response to the previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated 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 2021)
GENERAL REVENUE FUND (§§197.170)				
<u>Costs - DSS</u>				
Increased hospital reimbursements	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>Could exceed (\$4,972,003)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(Could exceed \$4,972,003)</u>
FEDERAL FUNDS (§§197.170)				
<u>Income - DSS</u>				
Increase in program reimbursements	\$0	\$0	\$0	. Could exceed \$8,584,184
<u>Costs - DSS</u>				
Increase in program expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>Could exceed (\$8,584,184)</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 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2021)
LOCAL GOVERNMENTS - COUNTY HOSPITALS				
<u>Income</u> - County Hospitals				
Increase in reimbursements	\$0	\$0	\$0	Unknown
<u>Costs</u> - County Hospitals				
Increase in operating costs	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - COUNTY HOSPITALS				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

The proposed legislation could have a significant administrative and financial impact on small business health care providers as they will be required to collect and make available on their websites certain information regarding the costs and reimbursements of the twenty-five most common health care procedures they perform.

FISCAL DESCRIPTION

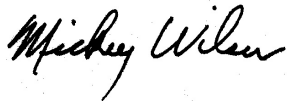
Beginning with the quarter ending September 30, 2016, and quarterly thereafter, hospitals and ambulatory surgical centers are to make available to the public information on the total costs for the twenty-five most common surgical procedures and the twenty most common imaging procedures performed in hospital or outpatient settings or in ambulatory surgical centers.

Upon request of a patient for the cost of a particular health care service or procedure, a health care provider is to provide the information required by the provisions of the proposal to the patient, in writing, within three business days after receiving the request.

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 Insurance, Financial Institutions
and Professional Registration
Department of Mental Health
Department of Social Services -
MO HealthNet Division
Joint Committee on Administrative Rules
Office of Secretary of State



Mickey Wilson, CPA
Director
April 21, 2014

Ross Strobe
Assistant Director
April 21, 2014