

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4636-02  
Bill No.: HB 2269  
Subject: Hospitals; Health Care; Health Care Professionals; Physicians  
Type: Original  
Date: February 22, 2016

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Bill Summary: This proposal establishes the Health Care Cost Reduction and Transparency Act.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>          |            |            |            |                                       |
|--|------------|------------|------------|---------------------------------------|
| FUND AFFECTED  | FY 2017    | FY 2018    | FY 2019    | Fully Implemented<br>(FY 2021)        |
| General Revenue  | \$0        | \$0        | \$0        | (Greater than<br>\$4,972,003)         |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>(Greater than<br/>\$4,972,003)</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>                      |            |            |            |                                |
|---|------------|------------|------------|--------------------------------|
| FUND AFFECTED   | FY 2017    | FY 2018    | FY 2019    | Fully Implemented<br>(FY 2021) |
|   |            |            |            |                                |
|   |            |            |            |                                |
| <b>Total Estimated<br/>Net Effect on <u>Other</u><br/>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 9 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |                                    |
|---|----------------|----------------|----------------|------------------------------------|
| <b>FUND AFFECTED</b>  | <b>FY 2017</b> | <b>FY 2018</b> | <b>FY 2019</b> | <b>Fully Implemented (FY 2021)</b> |
| 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 2021 income and expenditures exceed \$8 million and net to \$0.

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |                |                |                |                                    |
|---|----------------|----------------|----------------|------------------------------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2017</b> | <b>FY 2018</b> | <b>FY 2019</b> | <b>Fully Implemented (FY 2021)</b> |
|   |                |                |                |                                    |
|   |                |                |                |                                    |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>0</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> |                                 |                                 |                                 |                                    |
|--|---------------------------------|---------------------------------|---------------------------------|------------------------------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2017</b>                  | <b>FY 2018</b>                  | <b>FY 2019</b>                  | <b>Fully Implemented (FY 2021)</b> |
| <b>Local Government</b>                    | <b>(Greater than \$300,000)</b> | <b>(Greater than \$300,000)</b> | <b>(Greater than \$300,000)</b> | <b>(Unknown)</b>                   |

## 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 proposal provide that each health care provider licensed in the state shall make available to the public, and on its internet website if applicable, its 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 January 1, 2017, and quarterly thereafter, each health care provider is to provide the amount that will be charged to a patient for each health care service or procedure if all charges are paid in full without a public or private third party paying for any portion of the charges for their twenty-five (25) most frequently reported health care services or procedures.

Also, beginning January 1, 2017, and quarterly thereafter, hospitals, ambulatory surgical centers (ASCs), and imaging centers are to make available to the public, information on the total costs for the twenty-five (25) most common surgical procedures and the twenty (20) most common imaging procedures performed in hospital or outpatient settings or in ASCs or imaging centers, along with the related current procedural terminology (CPT) and healthcare common procedure coding system (HCPCS) codes. In addition, hospitals, ASCs and imaging centers are to provide the amount that will be charged to a patient for each health care service or procedure if all charges are paid in full without a public or private third party paying for any portion of the charges, the average negotiated settlement on the amount that will be charged to a patient, the amount of Medicaid reimbursement for each health care service or procedure, the amount of Medicare reimbursement for each health care service or procedure, and for the five (5) largest health carriers providing payment to the hospital, ASC, or imaging center, the range and the average of the amount of payments made for each health care service or procedure.

Upon request of a patient for the cost of a particular health care service or procedure, imaging procedure, or surgery procedure, a health care provider, hospital, ASC, or imaging center is to provide the information required by the provisions of the proposal to the patient, in writing, either electronically, by mail, or in person within three business days after receiving the request.

ASSUMPTION (continued)

Officials from the **Washington County Memorial (WCM) Hospital** state this bill would result in additional costs for health care providers to track and report the requirements of the bill. It is anticipated the annual costs to comply with the bill for WCM Hospital would be approximately \$30,000 - \$40,000.

Officials from the **Hermann Area District Hospital** assume this proposal would cost approximately \$10,000 annually based on doing quarterly work.

**Oversight** notes there are approximately 159 hospitals within the state of Missouri. Approximately 30 hospitals are district or county/city/community hospitals. If each of these 30 hospitals anticipated \$10,000 in additional costs to comply with the provisions of the bill, the total local government fiscal impact would be greater than \$300,000 annually. Therefore, Oversight will present Local Government costs as unknown greater than \$300,000 annually since at least some hospital costs will exceed \$10,000 annually.

**Oversight** assumes each of the 159 hospitals in Missouri accept MO HealthNet participants and, therefore, receive Medicaid reimbursements. It is assumed that all hospitals will incur additional costs as a result of this proposal since they are 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 beginning January 1, 2017 (second quarter FY 2017).

**Oversight** notes that in response to similar provisions for HCS for HB 617 from last session, the following response provided by the Department of Social Services (DSS), MO HealthNet Division (MHD) is relevant to this fiscal note 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:

In response to HCS for HB 617, 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

ASSUMPTION (continued)

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%.

For the current fiscal note, **Oversight** assumes costs will exceed the amount provided by DSS last year by an unknown amount. Oversight also notes that 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.

Officials from the **Joint Committee on Administrative Rules** assume the proposal would not fiscally impact their agency.

| <u>FISCAL IMPACT -<br/>State Government</u>                         | FY 2017<br>(10 Mo.) | FY 2018           | FY 2019           | Fully<br>Implemented<br>(FY 2021)            |
|---|---------------------|-------------------|-------------------|--|
| <b>GENERAL<br/>REVENUE FUND</b><br>(§§197.170)                      |                     |                   |                   |  |
| <u>Costs - DSS</u>  |                     |                   |                   |  |
| Increased hospital<br>reimbursements                                | <u>\$0</u>          | <u>\$0</u>        | <u>\$0</u>        | <u>Greater than<br/>(\$4,972,003)</u>        |
| <b>ESTIMATED NET<br/>EFFECT ON THE<br/>GENERAL<br/>REVENUE FUND</b> | <b><u>\$0</u></b>   | <b><u>\$0</u></b> | <b><u>\$0</u></b> | <b><u>(Greater than<br/>\$4,972,003)</u></b> |
| <b>FEDERAL FUNDS</b><br>(§§197.170)                                 |                     |                   |                   |  |
| <u>Income - DSS</u>   |                     |                   |                   |  |
| Increase in<br>program<br>reimbursements                            | \$0                 | \$0               | \$0               | Greater than<br>\$8,584,184                  |
| <u>Costs - DSS</u>  |                     |                   |                   |  |
| Increase in<br>program<br>expenditures                              | <u>\$0</u>          | <u>\$0</u>        | <u>\$0</u>        | <u>(Greater than<br/>\$8,584,184)</u>        |
| <b>ESTIMATED NET<br/>EFFECT ON<br/>FEDERAL FUNDS</b>                | <b><u>\$0</u></b>   | <b><u>\$0</u></b> | <b><u>\$0</u></b> | <b><u>\$0</u></b>                            |

| <u>FISCAL IMPACT -</u><br><u>Local Government</u>                   | FY 2017<br>(10 Mo.)             | FY 2018                         | FY 2019                         | Fully<br>Implemented<br>(FY 2021) |
|---|---------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <b>LOCAL GOVERNMENTS - COUNTY HOSPITALS</b>                         |                                 |                                 |                                 |                                   |
| <u>Income - County Hospitals</u>                                    |                                 |                                 |                                 |                                   |
| Increase in reimbursements  | \$0                             | \$0                             | \$0                             | Unknown                           |
| <u>Costs - County Hospitals</u>                                     |                                 |                                 |                                 |                                   |
| Increase in operating costs   | <u>(Greater than \$300,000)</u> | <u>(Greater than \$300,000)</u> | <u>(Greater than \$300,000)</u> | <u>(Greater than \$300,000)</u>   |
| <b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - COUNTY HOSPITALS</b> |                                 |                                 |                                 |                                   |
|   | <u>(Greater than \$300,000)</u> | <u>(Greater than \$300,000)</u> | <u>(Greater than \$300,000)</u> | <u>(Unknown)</u>                  |

FISCAL IMPACT - Small Business

This proposal will directly impact small business health care providers as they will have to make available on their internet website the most current price information for their top twenty-five most frequently reported health care services or procedures.

FISCAL DESCRIPTION

This bill establishes the Health Care Cost Reduction and Transparency Act that requires each health care provider licensed in Missouri to make available to the public and on its Internet website the most current price information required under these provisions in a manner that is easily understood by the public.

FISCAL DESCRIPTION (continued)

Beginning January 1, 2017, and quarterly thereafter, each health care provider licensed in Missouri must provide the amount that will be charged to a patient for each health care service or procedure if all charges are paid in full without a public or private third party paying for any portion of the charges for the 25 most frequently reported health care services or procedures. A health care provider or facility must not be required to report the information required by these provisions if the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

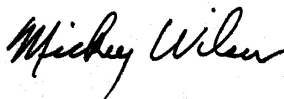
Beginning January 1, 2017, and quarterly thereafter, the bill requires hospitals, ambulatory surgical centers, and imaging centers to make available to the public information on the total cost of the 25 most common surgical procedures and the 20 most common imaging procedures, by volume, performed in hospital or outpatient settings or in ambulatory surgical centers or imaging centers including the related current procedural terminology and health care common procedure coding system codes. The bill requires hospitals, ambulatory surgical centers, and imaging centers to report specified information as delineated in the bill.

Upon request of a patient for the cost of a particular health care service or procedure, imaging procedure, or surgery procedure reported under these provisions, a health care provider or facility must provide the information to the patient in writing, either electronically or by mail, within three business days after receiving the request. Posting of such charges on the health care provider's or facility's website must constitute compliance with these provisions

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 Social Services -  
MO HealthNet Division  
Joint Committee on Administrative Rules  
Hermann Area District Hospital  
Washington County Memorial Hospital





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