

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1757-01  
Bill No.: HB 718  
Subject: Children and Minors; Education, Elementary and Secondary; Elementary and Secondary Education Department; Health Care; Health Department  
Type: Original  
Date: February 21, 2007

**Bill Summary:** This proposal provides that each child enrolled in kindergarten or first grade shall receive comprehensive vision examination. The provisions of the legislation will expire on June 30, 2012.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$0	(Greater than \$597,273)	(Greater than \$286,005)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(Greater than \$597,273)</b>	<b>(Greater than \$286,005)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Blindness Education, Screening and Treatment Program	\$0	(Up to \$99,000)	(Up to \$99,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(Up to \$99,000)</b>	<b>(Up to \$99,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 12 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Income and costs of approximately \$900,000 in FY09 and \$400,000 in FY10 would net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume the proposal would have no fiscal impact on their agency.

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

Based on the enrollment information from the 2004-2005 *Report of the Public Schools of Missouri*, officials from the **Department of Elementary and Secondary Education (DESE)** assume enrollment numbers are:

Kindergartners:	66,398
1st graders:	<u>67,069</u>
TOTAL	133,467

### Section 167.194:

According to personnel at the Division of Medical Services, the number of Medicaid eligible five and six year olds was 58,766 as of August 2006. Therefore, the potential number of children covered under this program decreases to 74,701 (i.e.  $133,467 - 58,766 = 74,701$ ).

ASSUMPTION (continued)

Section 167.194 (continued):

In addition, 8% of Missourians under age 18 were uninsured during the years 2004 through 2005 (source: Kaiser state health facts.org). Applying this percentage to our potential number of children yields a significant decrease in potential children covered under this program and brings the total to 5,976.

5,976 children x \$60 exam = \$358,560.

This estimate is based on the percentage of children covered by public and private insurance. It should be noted that insurance plans may or may not cover a vision exam for a child who has no signs of vision problems. And some policies will not cover vision services. Typically what is covered in "well child" exams is a vision screen or limited vision exam, not the comprehensive vision examination required by this proposal. Therefore, the actual cost of this proposal may significantly exceed these estimates.

DESE is to work in conjunction with the Department of Health and Senior Services to compile and maintain a list of sources to which children who may need vision exams or children who have been found to need further exams or correction may be referred for treatment on a free or reduced-cost basis. In addition, DESE must ensure the superintendent of schools, the principle of each elementary school, the school nurse or other person responsible for school health services, and the parent organization for each district elementary school receives an updated copy of the list each year prior to school opening. DESE assumes these requirements will result in administrative costs; however, DESE does not expect them to be significant.

DESE assumes this proposal will result in unknown administrative costs to local school districts for tracking the examinations, corresponding with doctors and parents, and retaining necessary records. DESE cannot determine the fiscal impact, but assume it will be significant.

Section 167.195:

This portion of the proposal requires all public school districts to conduct an eye screening for each student once before the completion of first grade and again before completion of the third grade. Results of the screening shall be sent to the Department of Health and Senior Services (DHSS). Evidence of an examination provided by an optometrist or physician within the year preceding the school eye screening shall be sufficient for meeting the requirements of the

section. The examination required in section 167.194 will make the screening requirement moot for first

ASSUMPTION (continued)

Section 167.195 (continued):

graders; however, it will still likely be necessary for districts to communicate the first grade exam results to DHSS. For third graders, it will be necessary for districts to conduct the eye screenings and to send the results to DHSS.

Based on the enrollment information from the 2004-2005 *Report of the Public Schools of Missouri*, DESE assume enrollment numbers are:

3rd graders: 65,266

The Department defers to the school districts regarding the cost of eye screens. Even if the eye screens cost as little as \$10 per child ( $65,266 \times \$10 = \$652,660$ ), the cost will be significant.

DESE assumes this proposal will result in unknown administrative costs to local school districts for tracking the eye screens, corresponding with parents and DHSS, and retaining necessary records. We cannot determine the fiscal impact, but assume it will be significant.

**Oversight** assumes school districts would be able to do the required tracking with existing resources.

**Oversight** assumes the fiscal impact mentioned in the DESE assumptions is included in the Department of Health and Senior Service's (DHSS) fiscal impact. For fiscal note purposes only, oversight will defer to the DHSS response.

Officials from the **Department of Health and Senior Services (DHSS)** provided the following assumptions regarding this proposed legislation:

According to the Section of Healthy Families and Youth within the DHSS, 98% of Missouri public schools has a school health services program that perform free vision screening for school aged children. Staff within the school health services program refers children who screening indicates further evaluation is needed into a system of care for necessary vision examinations.

School nurses already work with community-based providers and Federally Qualified Health Centers to find resources in the community for children who need a comprehensive examination based upon each child's screening results.

ASSUMPTION (continued)

The DHSS will work with the Department of Social Services (DSS) to develop a system to receive and process claims against the Blindness Education, Screening and Treatment (BEST) Fund.

It is unclear which Department is responsible for monitoring compliance of Section 167.195 paragraph 6. Therefore, the DHSS assumes another agency will be appointed with this responsibility.

According to Missouri Census Data from the OSEDA web site, Missouri has 216,675 children five to seven years of age. The number of uninsured children is unknown. Since concrete data requests is not available, for the purpose of this fiscal note, the DHSS assumes that 2% to 5% of all children in this age range (five, six and seven) will need assistance provided in the proposed legislation through the Blindness Education, Screening, and Treatment Fund. The Department also assumes that Medicaid, private insurance, fee-for-service, and other free programs will cover all other children. There will be approximately 4,334 to 10,834 claims (2% to 5%) to process.

The DSS calculates that approximately 14% of children five to seven years of age are Medicaid fee-for-services eligible and required to receive a comprehensive eye examination. Utilizing the DHSS estimates for uninsured children ages five to seven, the minimum and maximum number of potential claims funded through the Blindness Education, Screening, and Treatment Fund falls outside the parameters of the proposed legislation (\$99,000/year cap):

4,334 claims (2%) x \$42.85/eye exam x 4.5% inflation rate = \$194,069 to  
10,834 (5%) claims x \$42.85/eye exam x 4.5% = \$485,128.

The \$42.85/eye exam is the October 2005 average Medicaid cost for a comprehensive eye exam for a child. It is unclear how this potentially large number of claims will be covered given the \$99,000 cap on claims included in the legislation. Section 167.195.1 states that the vision screening requirement will not go into effect until July 1, 2008. Therefore, for the purposes of this fiscal note, no costs are shown until FY 2009.

The DHSS assumes that the cost of estimating Medicaid and MC+ claims for comprehensive vision exams will be provided by the DSS.

Assuming the DSS and the DHSS will be working together to process claims, monitoring compliance of professional offices to ensuring that proper equipment is maintained and that it is in working order, and that the DHSS will be assisting the Department of Elementary and Secondary Education (DESE) in compiling and maintaining a referral list, the following FTE will be necessary:

ASSUMPTION (continued)

Health Program Representative II – 100% FTE – assist with the compilation and maintenance of a referral list; assist in the determination of eligibility requirements, and to assist with the compliance of equipment requirements in optometrists, ophthalmologist, physician, and doctor of osteopathy conducting offices comprehensive vision examinations if necessary.

Planner II – 0% FTE – utilize existing position to work with DESE to create promulgate rules establishing enrollment criteria, policies and procedures, determine eligibility requirements, assist DSS establish provider agreements (contracts) for each participating eye care provider statewide, oversee Department responsibility and fund, and to supervise the Health Program Representative.

Standard expense and equipment is used. Additional funds are needed for other program expenses that may range from paper copies and manual processing. Mailing of forms and eligibility requirements will also be incurred. 5,000 forms printed and mailed at \$.10 printing (\$500) and \$.39 mailing cost per form (\$1,950) for a total cost of \$2,450.

Staffing and related costs will be incurred beginning with Fiscal Year 2009.

Blindness Education, Screening and Treatment Fund may not be able to sustain the proposed legislation for the entire possible term as outlined by the sunset clauses for the purpose of 192.935, paragraph two, subsection 4. The fund has seen a steady decline in donations: FY03 – \$171,279; FY04 – \$ 89,998; FY 05 – \$89,659; and FY06 – \$65,746 (38% decline in donations since FY03).

The proposed legislation states "subject to appropriation." The cost to the Department of Health and Senior Services is dependent on how the funds will be appropriated. If it is determined that the fund will not be used for vision examinations of kindergarten or first grade students, there will be no impact to the Department. Therefore, the fiscal note includes a range of from \$0 to (\$187,505) in FY 2009 and \$0 to (\$178,666) in FY 2010.

**Oversight** assumes the proposed legislation does not require additional duties of DHSS other

than assisting DESE with the compilation of a list of sources for treatment on a free or reduced cost basis. If other duties result from this proposal, resources could be requested through the appropriation process.

ASSUMPTION (continued)

**Oversight** assumes other sources will be available to provide eye exams to groups at no cost which would decrease the amount needed from the Blindness Education, Screening and Treatment Program Fund. Oversight assumes the fiscal impact will be up to \$99,000.

According to officials from the **Department of Social Services (DSS) - Division of Medical Services (DMS)**, as of August 2006, there were 86,030 Missouri Medicaid eligibles ages five, six, and seven. Of this total, 34,978 were Fee-For-Service (FFS) Medicaid eligibles and 51,052 were MC+ Medicaid eligibles. For the FFS Medicaid eligibles, Missouri Medicaid currently reimburses for 5,057 eye examinations at an average cost of \$42.32. If a comprehensive vision examination is mandated, there would be 29,921 (34,978-5,057) FFS Medicaid eligibles required to receive an exam. For state fiscal year (SFY) 2009, the DMS estimates the fiscal impact for the FFS Medicaid eligibles to be \$1,323,238 (29,921 X \$42.32 X 4.5%). The increase of 4.5% is for inflation.

As of August 2006, there were 30,283 Missouri Medicaid eligibles at the age of four. Of this total, 12,366 were Fee-For-Service (FFS) Medicaid eligibles and 17,917 were MC+ Medicaid eligibles. For the FFS Medicaid eligibles, Missouri Medicaid currently reimburses for 1,656 eye examinations. If a comprehensive vision examination is mandated, there would be 10,710 (12,366-1,656) FFS Medicaid eligibles required to receive an exam. For SFY 2010, the DMS estimates the fiscal impact for the FFS Medicaid eligibles to be \$494,957 ((10,710 X \$42.32 X 4.5%) X 4.5%). The inflation increase of 4.5% is applied to year one and year two costs.

For the MC+ Medicaid eligibles, the DMS contracts with managed care health plans to provide medical assistance to individuals eligible under Section 208.151. The managed care health plans are reimbursed by a monthly capitated rate. DMS is unable to determine the number of MC+ Medicaid eligibles who have received an eye exam. However, the increased utilization of a currently covered benefit would result in additional costs to the managed care health plans. Therefore, the fiscal impact to the DMS, for the increase in the managed care capitated rates due to the increased utilization and for the cost of the actuarial consultant for DMS to re-negotiate the current contracts with the managed care health plans, would be unknown greater than \$100,000 for the MC+ Medicaid eligibles.



DMS notes that if an optometrist or an ophthalmologist were to provide a service on a free cost basis, the provider would not be able to bill Medicaid for these services. Section 1902(a)(17)(B) of the Social Security Act prohibits payment for services to a recipient for which the recipient bears no liability to pay. However, services provided by an optometrist or an ophthalmologist on a reduced cost basis would still be covered by Medicaid.

ASSUMPTION (continued)

**Oversight** notes that states can earn the federal medical assistance percentage (FMAP) on Medicaid program expenditures. The Social Security Act requires the Secretary of Health and Human Services to calculate and publish the actual FMAP each year. The FMAP is calculated using economic indicators from state and the nation as a whole. Missouri's FMAP is a 62.42% federal match. The state matching requirement is 37.58%.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE FUND</b>			
<u>Costs</u> - Department of Social Services			
Fee-For-Service Costs	\$0	(\$497,273)	(\$186,005)
Manage Care Contract Costs	<u>\$0</u>	<u>(Greater than \$100,000)</u>	<u>(Greater than \$100,000)</u>
<u>Total Costs</u> - DOS	<u>\$0</u>	<u>(Greater than \$597,273)</u>	<u>(Greater than \$286,005)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<u>\$0</u>	<u>(Greater than \$597,273)</u>	<u>(Greater than \$286,005)</u>

**BLINDNESS EDUCATION,  
 SCREENING AND TREATMENT  
 PROGRAM FUND**

<u>Cost</u> - Department of Health and Senior Services			
Vision Examinations	<u>\$0</u>	<u>(Up to \$99,000)</u>	<u>(Up to \$99,000)</u>

**ESTIMATED NET EFFECT ON  
 BLINDNESS EDUCATION,  
 SCREENING AND TREATMENT  
 PROGRAM FUND**

**\$0 (Up to \$99,000) (Up to \$99,000)**

**FEDERAL FUNDS**

Incomes - Department of Social Services

Federal Assistance

\$0      Greater than      Greater than  
    \$925,965                      \$408,952

Costs - Department of Social Services

Fee-For-Service Costs

\$0      (\$825,965)      (\$308,952)

Managed Care Contract Costs

\$0      (Greater than      (Greater than  
    \$100,000)                      \$100,000)

Total Costs - DOS

\$0      (Greater than      (Greater than  
    \$925,965)                      \$408,952)

**ESTIMATED NET EFFECT ON  
 FEDERAL FUNDS**

**\$0                      \$0                      \$0**

FISCAL IMPACT - Local Government

FY 2008  
(10 Mo.)

FY 2009

FY 2010

**\$0                      \$0                      \$0**

FISCAL IMPACT - Small Business

There is a potential increase in revenue for eye care specialists and vision services businesses.

FISCAL DESCRIPTION

Beginning July 1, 2008, this legislation requires public school students enrolling in kindergarten or first grade to receive a vision examination from a state licensed optometrist or physician. The

State Board of Education in conjunction with the Department of Health and Senior Services will maintain a list of sources to which children who may need vision exams or have been found to be in need of further examination or vision correction may be referred for free or reduced-cost treatment.

#### FISCAL DESCRIPTION (continued)

Beginning July 1, 2008, and continuing through the 2011-2012 school year, all public schools are required to conduct eye screening exams for each student prior to the completion of the first grade and again before the completion of the third grade. When a student fails an eye screening, the school district must notify the parent or guardian of the results and require the student to receive a complete eye exam from an optometrist or physician. A student will be excused from the eye screening examination if his or her parent or guardian submits an objection to the exam in writing to the appropriate school administrator.

The Children's Vision Commission is established to develop standardized screening tests, reporting forms, appropriate training programs, and a brochure specifying the benefits of ongoing eye care for children and to conduct a four-year pilot project tracking the results of eye screenings. The commission must submit a report to the General Assembly by October 1, 2012, on the results and findings of the study.

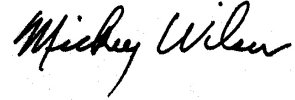
The provisions of the legislation will expire on June 30, 2012.

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 Elementary and Secondary Education  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Health and Senior Services  
Department of Social Services  
Office of the Secretary of State

L.R. No. 1757-01  
Bill No. HB 718  
Page 12 of 12  
February 21, 2007

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  
Director  
February 21, 2007