

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3410-02  
Bill No.: HB 1940  
Subject: Health Care; Health Care Professionals; Health, Public; Hospitals; Nurses;  
Physicians  
Type: Original  
Date: March 20, 2008

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Bill Summary: This legislation requires each hospital to develop and implement a safe patient handling program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$0 to (\$10,000,000)	\$0 to (\$10,000,000)	\$0 to (\$10,000,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 to (\$10,000,000)</b>	<b>\$0 to (\$10,000,000)</b>	<b>\$0 to (\$10,000,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Workers Compensation	(\$44,718)	(\$54,192)	(\$55,817)
Second Injury	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$44,718 to Unknown)</b>	<b>(\$54,192 to Unknown)</b>	<b>(\$55,817 to Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Workers Compensation Fund	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

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

Officials from the **Department of Mental Health (DMH)** state hospitals operated by the DMH do not pay taxes, are not licensed under chapter 197 and do not pay workers' compensation premiums. Therefore, this proposal has no fiscal impact upon the Department.

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.

Officials from the **Department of Social Services** assume the proposal would require hospitals to establish a safe patient handling committee and program by July 1, 2009. It also requires hospitals to acquire their choice of a specified minimum of patient lifting equipment and to train staff on policies, equipment, and devices annually by January 1, 2012. The proposal also authorizes an income tax credit for hospitals that purchase equipment used to implement a safe patient handling program. The amount of the tax credit will be up to 50% of the cost of the mechanical lift devices or other equipment. These requirements, even with a tax credit, will result in a fiscal impact to hospitals, but the amount is unknown.

ASSUMPTION (continued)

MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Since the first requirement is effective July 1, 2009, it would begin to be reflected in 2009 cost reports. MO HealthNet would use 2009 cost reports to establish reimbursement for SFY13.

Therefore there would not be a fiscal impact to the MO HealthNet Division for FY09, FY10 and FY11, but starting FY13 there could be an impact, but the amount is unknown.

Officials from the **Department of Labor and Industrial Relations** states Section 287.055 of the proposal states that by January 1, 2010, the Division of Workers' Compensation shall develop rules to provide a reduced workers' compensation insurance premium for hospitals that implement a "safe patient handling program." This section also requires the Division to complete an evaluation of the results of the reduced premium, including changes in claim frequency and costs and report the results of the evaluation to the appropriate committees of the General Assembly by December 1, 2013 and 2015.

In Missouri, the workers' compensation insurance market is a competitive file and use market. Rate making and premiums determinations are regulated by the Department of Insurance, Financial Institutions and professional Registration, not the Division of Workers' Compensation. The Division of Workers' Compensation believes it does not have jurisdiction to implement the provisions of this proposal and that such implementation should be appropriately assigned to the Department of Insurance, Financial Institutions and Professional Registration.

There are 154 hospitals in Missouri according to the Missouri Hospital Association. Assuming that all hospitals would implement a safe patient handling program and become eligible for a premium reduction, and also assuming that the Division of Workers' Compensation will maintain the responsibilities outlined in section 287.055, the Division estimates it will require an Insurance Financial Analyst II to evaluate the results of the reduced premium and the impact on claims frequency and costs.

The Division also assumes that premium reductions for hospitals under this program would reduce the amount of administrative tax and Second Injury Fund surcharge realized by the Division since the tax and surcharge rates and revenue are based on the amount of annual workers' compensation premium. However, since the proposal does not set limits on the amount of premium reduction, the Division is unable to determine the amount the total state-wide premium will be reduced.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** assume the Personal Tax would require 1 Tax Processing Technician I for every 6,000 credits claimed. The Corporate Tax would require 1 Tax Processing Technician I for every 5,200 returns to be verified and 2,080 additional pieces of correspondence.

Office of Administration Information Technology/DOR (ITSD/DOR) estimates that the proposal could be implemented utilizing 3 existing Computer Information Tech III's for 1 month for modifications to COINS, CAFÉ, and Corporate E-File. The estimated cost is \$12,558. DOR estimates the IT portion of this proposal can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement.

**Oversight** assumes the DOR could absorb the additional caseload that may result from this proposal within existing resources. Oversight assumes any significant increase in the workload of the DOR would be reflected in future budget request. Therefore, oversight assumes DOR does not need 2 FTE's.

Officials from the **Department of Health and Senior Services (DHSS) - Division of Regulation and Licensure (DRL)** state the following:

Section 135.620.2:

Requires DHSS to develop a tax credit application form for hospitals to use to request a credit of up to fifty percent of the cost of mechanical lift devices or other equipment used to minimize patient handling by health care providers. Upon satisfactory submission of the form and any documentation required by the DHSS, the DHSS would issue a tax credit certificate to the hospital which could be transferred, sold, etc.

This section could allow DHSS to impose an application fee. The amount of any such fee that would be assessed, if any, is unknown.

Section 135.620.3. to 135.620.7:

Relates to when the credits can be claimed, the maximum allowed per hospital, the maximum allowed in the aggregate, procedures when the aggregate is exceeded as far as notifying hospitals of taxes due, interest, applicable purchase dates, etc. All of these requirements would have to be taken into consideration when developing the tax credit tracking mechanism.

ASSUMPTION (continued)

Section 135.620.8:

Allows DHSS to promulgate necessary rules for implementation of Section 135.620.

Section 135.620.9:

Requires DHSS to issue an annual report on the amount of tax credits claimed. The first report is due July 1, 2011.

Section 135.620:

There are 149 licensed hospitals in the state. There is a potential for each of these hospitals to acquire equipment and request a tax credit each year throughout the life of the tax credit program. 1.5 FTE will be needed to implement the tax credit program.

One Health Program Representative III (HPR III) FTE will be needed to assist in development of the form and any necessary rules to implement the program. This position will be responsible for developing an appropriate tracking mechanism, reviewing tax credit applications and supporting documentation, and determining whether a tax credit is to be issued and for how much. It will also be responsible for maintaining information in the tracking system and monitoring the annual cap and taking appropriate action if it is reached. This employee will also provide information and answer questions related to the tax credit program. This position will coordinate with the Department of Revenue to share information regarding the tax credits. It will also prepare the required annual report.

One-half of an Administrative Office Support Assistant (AOSA) FTE will be required to process and track tax credit submissions, perform data entry tasks, generate and mail approved tax credit certificates, prepare correspondence, handle telephone calls and questions regarding the tax credit program, etc.

Standard costs are included for each of the above positions. The partial FTE (.50) is considered as a whole FTE for purposes of standard cost computations.

ASSUMPTION (continued)

Section 197.625

Requires each hospital to establish a safe patient handling committee by January 1, 2009 and a safe patient-handling program by July 1, 2009. By January 1, 2012, each hospital must meet minimum requirements for the purchase of lift equipment. As part of hospital inspections, DHSS will review these requirements for compliance. These additional review requirements can be accomplished with existing staff. This section has no fiscal impact on DRL.

Impact on Revenue:

The tax credit could reduce the amount of income taxes paid by hospitals. The amount of the reduction could range from \$0 to \$10,000,000 annually. The tax credit ceases to be available for equipment purchased after December 30, 2013, but credits can be carried forward for three subsequent taxable years. Section 135.620.4 limits the maximum credit for each hospital to one thousand dollars for each acute care available inpatient bed. As of February 4, 2008, there were 21,887 licensed acute care beds in the state. This would result in a total maximum credit of \$21,887,000 over the life of the tax credit program.

Since the tax credits claimed could be as high as \$10,000,000 annually and the amount of any fee collection is unknown, for fiscal note purposes DHSS considers the negative impact on General Revenue collections to be unknown, but costs with a range of \$0 to (\$10,091,529) the first year; \$0 to (\$10,096,179) the second year; and \$0 to (\$10,099,065) the third year.

**Oversight** assumes the DHSS could absorb the additional caseload that may result from this proposal within existing resources. Oversight assumes any significant increase in the workload of the DHSS would be reflected in future budget request. Therefore, oversight assumes DHSS does not need 1.5 FTE's.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE FUND</b>			
<u>Income</u> - Department of Health and Senior Services*			
Application Fee	Unknown	Unknown	Unknown
<u>Loss</u> - Department of Health and Senior Services			
Tax Credit	<u>\$0 to</u> <u>(\$10,000,000)</u>	<u>\$0 to</u> <u>(\$10,000,000)</u>	<u>\$0 to</u> <u>(\$10,000,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0 to</u></b> <b><u>(\$10,000,000)</u></b>	<b><u>\$0 to</u></b> <b><u>(\$10,000,000)</u></b>	<b><u>\$0 to</u></b> <b><u>(\$10,000,000)</u></b>

\*Oversight assumes losses will exceed income.

## **WORKERS COMPENSATION FUND**

<u>Costs</u> - Department of Labor and Industrial Relations			
Personal Service	(\$30,256)	(\$37,397)	(\$38,519)
Fringe Benefits	(\$13,379)	(\$16,537)	(\$17,033)
Equipment and Expense	<u>(\$1,083)</u>	<u>(\$258)</u>	<u>(\$265)</u>
<u>Total Costs</u> - DOLIR	<u>(\$44,718)</u>	<u>(\$54,192)</u>	<u>(\$55,817)</u>
FTE Change - DOLIR	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON WORKERS COMPENSATION FUND</b>	<b><u>(\$44,718)</u></b>	<b><u>(\$54,192)</u></b>	<b><u>(\$55,817)</u></b>
Estimated Net FTE Change for Workers Compensation Fund	1 FTE	1 FTE	1 FTE



## SECOND INJURY FUND

Loss - Department of Labor and Industrial Relations

Reduction in Surcharge and Taxes	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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### ESTIMATED NET EFFECT ON SECOND INJURY FUND

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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### FISCAL IMPACT - Local Government

FY 2009  
(10 Mo.)

FY 2010

FY 2011

\$0

\$0

\$0

### FISCAL IMPACT - Small Business

Small hospitals may incur costs to obtain the required mechanical lift devices. A tax credit would be available for no more than half of the cost of the devices up to a maximum limit of \$1,000 per acute care bed.

### FISCAL DESCRIPTION

The proposed legislation changes the laws regarding hospital patient safety. This legislation requires each hospital to establish a safe patient handling committee by January 1, 2009, to design and recommend the process for implementing a safe patient handling program.

This legislation requires each hospital to establish a safe patient handling program by July 1, 2009, to implement a safe handling policy for all shifts, conduct a patient handling hazard assessment, conduct annual performance evaluations of the program, and consider incorporating patient handling equipment in future hospital remodels.

This legislation requires each hospital, by January 1, 2012, to acquire their choice of a specified minimum of patient lifting equipment and to train staff on policies, equipment, and devices at least annually.

FISCAL DESCRIPTION (continued)

This legislation requires each hospital to develop procedures for employees to refuse to perform or be involved in patient handling or movement that will expose the patient or employee to an unacceptable risk of injury.

This legislation requires the Division of Workers' Compensation within the Department of Labor and Industrial Relations to develop rules to provide a reduced premium for hospitals that implement a safe patient handling program by January 1, 2010, and to complete an evaluation and report on the results of the reduced premium to the appropriate committees of the General Assembly by December 1, 2013, and December 1, 2015.

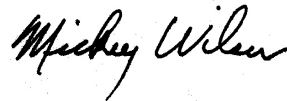
The legislation authorizes an income tax credit for hospitals that purchase equipment used to implement a safe patient handling program. The amount of the tax credit will be up to 50% of the cost of the mechanical lift devices or other equipment. Tax credit applications must be filed with the Department of Health and Senior Services by October 31 of the year in which the qualified purchase was made and the tax credit is claimed. The maximum credit allowed for each hospital is limited to \$1,000 for each available acute care inpatient bed. The tax credit can be carried forward for up to three years, but is not refundable.

No more than \$10 million tax credits can be issued annually for the program. If applications for the tax credit exceed \$10 million in any given year, the Department of Health and Senior Services must notify hospitals that the annual limit has been met. No tax credits will be issued for the program after December 30, 2013. Beginning July 1, 2011, the proposal requires the Department to issue an annual report on the amount of tax credits claimed.

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 & Professional Registration  
Department of Mental Health  
Department of Health and Senior Services  
Department of Labor and Industrial Relations  
Department of Revenue  
Department of Social Services  
Office of the Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
March 20, 2008