

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5094-07
Bill No.: HCS for HB 2282
Subject: Insurance - Medical; Health Care; Health Care Professionals
Type: Original
Date: April 14, 2008

Bill Summary: Modifies various provisions relating to health insurance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$1,094,695)	(\$1,205,502)	(Unknown less than \$4,271,871)
Total Estimated Net Effect on General Revenue Fund	(\$1,094,695)	(\$1,205,502)	(Unknown less than \$4,271,871)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	6	6	87
Total Estimated Net Effect on FTE	6	6	87

☐ 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
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration, Missouri Department of Conservation, Missouri Department of Transportation, Missouri Consolidated Health Care Plan and Department of Health and Senior Services** assume the proposal will have no fiscal impact on their organizations.

Officials from the **DPS - Missouri State Highway Patrol (MHP)** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of this proposal on their organization.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal for Administrative Rules is less than \$2,500. The SOS 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 SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Social Services (DOS)** state collaboration with the Department of Revenue to promulgate rules would be accomplished with existing resources.

Officials from the **Department of Revenue (DOR)** state the following assumptions are based upon the transfer of the debt file for hospitals and healthcare providers from the Department of Health and Senior Services (DOH) to the DOR.

The DOR will be required to notify the hospital or healthcare provider that the debtor has a refund available to offset. Releasing this information is confirmation of tax status along with information related to the return and is confidential by state and federal law. While the release of such information to the DOH is allowable under the Section 610 Agreement, to release this information to a local hospital or doctor's office would be a violation of return confidentiality. The DOR is concerned that by openly interacting with a significant number of small healthcare providers, there would be an uncontrollable amount of risk to the Department and a vast number of entities.

Upon implementation, when the DOR offsets a tax payer's refund against a hospital or other healthcare provider debt, the process of issuing the payment to the hospital will result in the payment being a vendor payment in SAM II. If the hospital or other healthcare provider has a tax ASSUMPTION (continued)

liability with the state, the DOR will offset the payment to satisfy the tax liability. The current vendor offset program will automatically identify the tax liability and the DOR will follow the normal process to intercept the payment.

After the claim has been submitted, verified, and approved for the debt offset to begin, each claim will need to be processed in order to offset the refund and apply the proper transaction to the MINITS tax system. This process is manual due to the DOR's limited technology options at this time.

This legislation indicates that the debt is to be unpaid for greater than 90 days. It is also the DOR's assumption that an example of "assurance of payment" would be a pay plan. After consulting with the DOH, the DOR estimates 100,000 claims would be eligible for offset by hospitals and other healthcare providers.

This process would be new to the DOR and not directly related to any other function of the taxation bureau. There is currently no space available within the Division of Taxation to place the number of required employees. Therefore, floor space rental has been included in the fiscal note.

The DOR will be required to offset any withholding tax refund against any employer that is a sole proprietor that owes a debt to a hospital or other healthcare provider. This will require major system changes to the Withholding Tax System for this debt offset.

The DOR estimates 66 Tax Processing Technician I (\$24,636) FTEs will be needed to handle correspondence, phone calls, process claims, returns for approximately 100,000 claims, work related to debt offset hearings, and administrative oversight of confidential release forms. The DOR figures a Tax Processing Technician I (\$24,636) will be needed for every additional 15,000 contacts annually to the delinquent tax line (total 7 FTE). Six (6) Tax Processing Technician III (\$36,204), two (2) Revenue Section Supervisor (\$40,500), one (1) Revenue Manager Band I (\$61,116), and one (1) Office Support Assistant (\$23,100) FTE will be needed to supervise the section created by this new function. In addition, DOR will need one (1) Senior Counsel (\$63,324) for hearings related to debt offset appeals.

The DOR believes the above estimates are the bare minimum for implementing a program of this magnitude and should the volume be more than the amounts provided, the Department will seek additional staff through the regular budget process.

ASSUMPTION (continued)

HWC:LR:OD (12/02)

The **Office of Administration Information Technology (ITSD) DOR** will require two years to implement the provisions of this proposal. In order to complete the extensive programming necessary to comply with the debt offset provisions for hospitals and health care providers, the ITSD DOR will require two (2) Computer Information Technologist (CIT) III (\$100,464) for programming of the initial program and one (1) CIT Specialist I (\$54,552) for support of the program. In addition, estimated contracting of \$594,720 and \$713,664 will be needed in FY 09 and FY 10, respectively, and an estimated cost of \$98,000 (FY 09) and \$39,200 for each year thereafter to purchase necessary software.

The DOR estimates the total costs to implement and maintain the requirements outlined in this proposal to be \$4,598,873 for FY 09; \$4,991,918 for FY 10; and \$4,403,817 for FY 11.

Oversight has, for fiscal note purposes only, changed the starting salary for the Tax Processing Technologists I, the Office Support Assistant I, the Revenue Section Supervisors, the Tax Processing Technicians III, the CITs III, and the CIT Specialist I to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. In addition, **Oversight** has also reduced the starting salary for the Senior Counsel and Revenue Manager Band I to more closely reflect the salaries currently being paid to employees in those positions according to the most recent Official Manual, State of Missouri (Blue Book).

Based on discussions with DOR officials, **Oversight** is eliminating personal service costs, fringe benefits, rent, and equipment and expense for all staff (81 FTE) except the Broad Band Manager I (1 FTE), the Revenue Section Supervisors (2 FTE), CIT III (2 FTE), and CIT Specialist I (1 FTE) and rent until FY 2011. The DOR officials stated these personnel must be in place to implement the program prior to the completion of system programming. Remaining staff would be expected to be hired approximately six (6) months prior to implementation of the regulations put forth in this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Revenue - DOR</u>			
Administration fees	\$0	\$0	Unknown
<u>Costs - DOR</u>			
Personal service	(\$222,113)	(\$274,531)	(\$2,308,789)
Fringe benefits	(\$98,218)	(\$121,398)	(\$1,020,946)
Equipment and expense	(\$774,364)	(\$809,573)	(\$942,136)
Total <u>Cost - DOR</u>	<u>(\$1,094,695)</u>	<u>(\$1,205,502)</u>	<u>(\$4,271,871)</u>
FTE Change - DOR	6 FTE	6 FTE	87 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$1,094,695)</u>	<u>(\$1,205,502)</u>	<u>(Unknown less than \$4,271,871)</u>
Estimated Net FTE Change for General Revenue Fund	6 FTE	6 FTE	87 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal will impact small business healthcare providers if they receive reimbursement for unpaid services. In addition, small businesses that are sole proprietorships, etc., that have unpaid taxes may be impacted if the DOR applies payments to back taxes.

FISCAL DESCRIPTION

This proposal provides that the health care providers who have provided health care services to an individual and that individual has failed to pay for the services, may submit a claim to the Department of Revenue for the unpaid health care services on a claim form approved by the director of revenue. The director is to promulgate a claim form for hospitals and health care providers to certify that care was provided, the individual did not have health insurance, was not eligible for care under federal or the state's health care programs, and that the person failed to

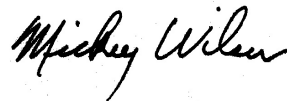
FISCAL DESCRIPTION (continued)

pay for the services for a period of time exceeding 90 days. The department of revenue will become responsible for collecting unpaid amounts via tax refunds, lottery winnings, etc., although child support obligations will take precedence.

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

SOURCES OF INFORMATION

Missouri Department of Transportation
Department of Insurance, Financial Institutions and Professional Registration
Department of Health and Senior Services
Department of Revenue
Department of Social Services
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Office of Secretary of State



Mickey Wilson, CPA
Director
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