

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4673-02
Bill No.: HB 2072
Subject: Health Care; Insurance - Medical; Health Public; Department of Social Services
Type: Original
Date: March 23, 2010

Bill Summary: This legislation establishes the criteria to be used by programs of insurers that publicly assess and compare the quality and cost efficiency of health care providers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(Unknown but Greater than \$933,334)	(Unknown but Greater than \$1,100,000)	(Unknown but Greater than \$1,100,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown but Greater than \$933,334)	(Unknown but Greater than \$1,100,000)	(Unknown but Greater than \$1,100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Road	(Unknown but Greater than \$83,334)	(Unknown but Greater than \$100,000)	(Unknown but Greater than \$100,000)
Other	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown but Greater than \$83,334)	(Unknown but Greater than \$100,000)	(Unknown but Greater than \$100,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Federal	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☒ 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 2011	FY 2012	FY 2013
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Sections 191.1005 & 191.1008:

Officials from the **Department of Conservation, Missouri Senate, Department of Insurance, Financial Institutions and Professional Registration** and the **Missouri House of Representatives** each state the proposed legislation would not appear to have a fiscal impact on their respective agencies.

Officials from the **Office of the Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

In response to a similar proposal from this year (HB1878), officials from the **Department of Public Safety - Missouri State Highway Patrol** 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 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.

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 Mental Health (DMH)** assume provisions contained in this legislation will create additional work for the DMH in preparing reports (shifting demographics study). These costs cannot be quantified.

Therefore, DMH assumes an unknown cost of greater than \$100,000 for a contract to meet the standards established in Section 191.1005.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the HCP will likely incur additional on-going costs of an unknown magnitude because it is assumed that vendors will

ASSUMPTION (continued)

factor into their quotes, the costs associated with establishing and administering this quality/cost efficiency reporting.

Officials at the **Department of Health and Senior Services** provide the following information relating to this proposal:

Section 191.1008.3(1)

This section requires DOH to investigate complaints of alleged violations of this section by any person or entity other than a health carrier. If the complaint were against an individual, DOH would have no authority. These complaints would need to be handled by the Board of Healing Arts or the Board of Nursing. Complaints against an entity could also include types of health care settings that are not currently under the regulatory charge of DOH such as physician's offices, clinics, etc. The violations referred to in this section do not seem to be clinical or regulatory in nature. Instead, they appear to be concerned more with data disclosure.

Language in section 191.1008.1 requires the reviewing organizations to "identify the measure source or evidence-based science behind the measure and the national consensus, multi-stakeholder or other peer review process, if any, used to confirm the validity of the data and its analysis as an objective indicator of health care quality." The ambiguous language in these restrictions placed on the noninsurers' comparison programs could make investigations of alleged violations difficult to verify. Even if the criteria were specified more rigorously, additional professional staff would be needed to conduct the investigations and determine whether the criteria have been met and the noninsurer(s) is compliant with the law.

Though the DOH has experience with researching and publishing quality of care indicators that are nationally recognized as objective measures of health care quality, it has no experience in regulation of other entities that publish consumer-focused data. In addition, imposition of penalties would probably need to be performed by the Office of Attorney General. The DOH is not able to determine how many complaints would be received that would require investigation. Therefore, the DOH is unable to determine the fiscal impact of this proposal and assumes the fiscal impact to be unknown.

Oversight notes section 191.1008 allows the DOH to impose penalties, not to exceed one thousand dollars, for violations by persons who sell or otherwise distribute to the public health care quality and cost efficiency data without identifying the measure source. **Oversight** assumes minimal penalties will be collected and, therefore, is not presenting penalties in the fiscal note.

ASSUMPTION (continued)

Officials from the **Missouri Department of Transportation (MoDOT)** state the MoDOT/MSHP Medical Plan is subject to any legislation enacted by the General Assembly which mandates coverage of specific health benefits, services or providers in the policies or contracts of insurers, health service corporations, health maintenance organizations or other third party payors also applies to health benefit plans for MoDOT.

If MoDOT should fall under this proposed legislation, its Medical Plan will be forced to retain at its own expense, the services of nationally-recognized independent health care quality standard-setting organizations to review the plan's programs for consumers that measure, report, and tier providers based on their performance. This review should include a comparison to national standards. The report should further give patients information regarding quality and cost efficiency, describe areas of care, among other things. A great deal of information about providers would be released.

This would impact the MoDOT/MSHP Medical Plan, as it would realistically cost a great deal of money to employ the services of these organizations, and then distribute the information. The cost could in turn, could increase premiums. It would also release information about providers. The proposed legislation also seems to say that health carriers would be prohibited from entering into new contracts or amending existing contracts with health care providers that limit the use of medical claims data to payment of claims or otherwise preclude health carriers from responding to the public's need for comparative cost, quality, and efficiency information.

There would be a financial impact to the Plan. The impact cannot be determined; however, it would be greater than \$100,000.

Officials from the **Department of Social Services (DOS) - MO HealthNet Division (MHD)** state the following:

Section 191.1005 Criteria for Quality Health Care Data

The language of this section states that the definition of "insurers" includes the state of Missouri for purposes of rendering health care services by providers under a medical assistance program of the state. Therefore, this section will have a fiscal impact to the MO HealthNet Division. The MHD will have costs for a contractor to research, collect, compile, evaluate and compare the quality of care data. The cost for the contractor is unknown but greater than \$2 million per year. This estimate is based on information received when creating similar reporting tools. Since this is an administrative expense the federal matching rate is 50%. The first year cost is for 10 months.

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ASSUMPTION (continued)

Total Fiscal Impact

FY11 (10 months): Total unknown > \$1,666,667 (unknown > \$833,334 GR);
 FY12: Total unknown > \$2,000,000 (unknown > \$1,000,000 GR);
 FY13: Total unknown > \$2,000,000 (unknown > \$1,000,000 GR).

Officials from the **Office of Administration** have not responded to Oversight's request for fiscal information.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Costs - Department of Social Services</u>			
Contract and reporting costs	(Unknown but Greater than \$833,334)	(Unknown but Greater than \$1,000,000)	(Unknown but Greater than \$1,000,000)
<u>Costs - Department of Mental Health</u>			
Program Costs	(Unknown but Greater than \$100,000)	(Unknown but Greater than \$100,000)	(Unknown but Greater than \$100,000)
<u>Costs - Department of Health and Senior Services</u>			
Investigation costs	(Unknown)	(Unknown)	(Unknown)
<u>Costs - Missouri Consolidated Health Care Plan</u>			
Increase in medical vendor contract costs	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown but Greater than \$933,334)</u>	<u>(Unknown but Greater than \$1,100,000)</u>	<u>(Unknown but Greater than \$1,100,000)</u>

FISCAL IMPACT - State Government
 (continued)

FY 2011
 (10 Mo.)

FY 2012

FY 2013

ROAD FUND

Costs - Missouri Department of
 Highways and Transportation

Increase in state share of health
 insurance premium costs

(Unknown but
Greater than
\$83,334)

(Unknown but
Greater than
\$100,000)

(Unknown but
Greater than
\$100,000)

**ESTIMATED NET EFFECT ON
 ROAD FUND**

(Unknown but
Greater than
\$83,334)

(Unknown but
Greater than
\$100,000)

(Unknown but
Greater than
\$100,000)

OTHER STATE FUNDS

Costs - Missouri Consolidated Health
 Care Plan

Increase in medical vendor contract
 costs

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
 OTHER STATE FUNDS**

(Unknown)

(Unknown)

(Unknown)

FEDERAL FUNDS

Income - Department of Social Services

Increase in program reimbursements

Unknown but
 Greater than
 \$833,333

Unknown but
 Greater than
 \$1,000,000

Unknown but
 Greater than
 \$1,000,000

Costs - Department of Social Services

Increase in program costs

(Unknown but
 Greater than
 \$833,334)

(Unknown but
 Greater than
 \$1,000,000)

(Unknown but
 Greater than
 \$1,000,000)

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
(continued)	(10 Mo.)		

Costs - Missouri Consolidated Health Care Plan

Increase in medical vendor contract costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2011	FY 2012	FY 2013
	(10 Mo.)		

LOCAL GOVERNMENTS - ALL

Costs - All Local Governments

Increase in share of premium costs/reporting costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

If the proposal results in insurance companies increasing premium costs, then small businesses that provide health insurance benefits for employees will experience a negative impact as a result of increased premium costs.

FISCAL DESCRIPTION

Sections 191.1005 & 191.1008:

This legislation establishes the criteria of health carrier programs that publicly assess and compare the quality and cost efficiency of health care providers. The criteria include:

- (1) Retention, at the expense of the health carrier, of a nationally recognized independent health care quality standard-setting organization to review the plan's program;

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FISCAL DESCRIPTION (continued)

- (2) Program measures to provide performance data that reflects consumers' health needs;
- (3) Performance reporting to include both quality and cost-efficiency information;
- (4) Disclosure of measure scoring and any formula used to develop composite scores;
- (5) Solicitation of consumers and providers for input about the program;
- (6) Establishment of a clearly defined process for receiving and resolving consumer complaints;
- (7) Presentation of performance information to consumers on how to consider other factors in choosing a provider;
- (8) Notification to providers before their individual performance information is publicly released;
- (9) Establishment of a process for providers to review their performance results and the opportunity to present information regarding any perceived inaccurate results;
- (10) Accessibility of and the ability of consumers and providers to understand information about the comparative performance data including certain cost factors;
- (11) Public disclosure of factors that might limit the usefulness of the results;
- (12) Publication and public availability of the measures used to assess a provider's performance and the methodology used to calculate scores and determine rankings;
- (13) Articulation of the rationale and methodologies supporting the unit of analysis reported;
- (14) Aggregation of data, whenever feasible, by sponsors of provider measurement and reporting who are required to work collaboratively for measuring and reporting purposes;
- (15) Regular evaluation of the program to assess its effectiveness, accuracy, reliability, validity, and any unintended consequences;
- (16) Endorsement of all quality measures by one of the specified credible organizations;

FISCAL DESCRIPTION (continued)

(17) Prohibition of certain entities from entering into new contracts or amending existing contracts that are delivered, issued, continued, or renewed on or after January 1, 2011, under certain conditions; and

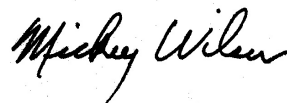
(18) Compliance upon certification from the National Committee for Quality Assurance.

A person who sells or distributes public health care quality and cost-efficiency data for disclosure must identify the measure source or evidence-based science used to conform the validity of the data and its analysis. Certain specified articles or studies published in academic journals are exempt from the provisions of the legislation. The Department of Health and Senior Services must investigate possible violations by these sellers or distributors. Upon finding that a violation has occurred, the Department is authorized to impose a penalty in an amount of up to \$1,000.

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 Health and Senior Services
Department of Social Services
Missouri Department of Transportation
Department of Public Safety-Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Conservation
Office of Secretary of State
Office of the Attorney General
Missouri Senate
Missouri House of Representatives
Department of Mental Health
Not Responding: Office of Administration



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