

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1305-01
Bill No.: HB 599
Subject: Health Care; Insurance - Medical
Type: Original
Date: February 17, 2015

Bill Summary: This proposal establishes the Hospital Observation Status Consumer Notification Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
General Revenue	\$0	\$0	\$0	(\$590,539)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	(\$590,539)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
University Funds	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
Federal*	\$0	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

* Income and expenses exceed \$1.0 million beginning in FY 2019 and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
Total Estimated Net Effect on FTE				

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
Local Government	(Unknown greater than \$4,900,000)	(Unknown greater than \$4,900,000)	(Unknown greater than \$4,900,000)	(Unknown greater than \$3,300,000)

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 is providing agency responses from similar legislation introduced during the current session (SB 298). However, there are differences between SB 298 and HB 599 which may affect the impact of HB 599. Oversight is unable to determine the potential fiscal impact of the differences. Therefore, Oversight assumes the impact of the HB 599 to be the same as SB 298 at this time, but reserves the right to determine if an updated fiscal note should be done.

In response to SB 298 from the current session, officials from the **Department of Social Services (DSS)**, **MO HealthNet Division (MHD)** stated Section 197.750 requires a hospital to provide oral and written notice to a patient of that patient's outpatient status, the billing implications of that status, and the impact of that status on the patient's health insurance coverage.

MHD assumes there will likely be additional administrative costs to a hospital for creation and completion of the required outpatient (OP) status form. MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Since this would be implemented upon passage of the bill, the additional cost would begin to be reflected in 2015. MO HealthNet would use 2015 cost reports to establish reimbursement for State Fiscal Year (SFY) 2019. Therefore, there would not be a fiscal impact to the MO HealthNet Division for FY 2015, FY 2016, and FY 2017 but starting FY 2019 there could be additional costs. MHD assumes there would be a cost of 1 FTE at each hospital. Per the Bureau of Labor Statistics, the average salary of a Medical Secretary in Missouri in 2013 was \$33,140. \$33,140 per hospital with 150 hospitals impacted brings the total estimated cost to hospitals to \$4,971,000. Furthermore, MHD is prorating this increase in costs to hospitals by the SFY 2011 Statewide Mean Medicaid Utilization rate of 32.39% which 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 \$1,610,107 (\$4,971,000 X 32.39%). The GR/Federal split is approximately 37%/63% (GR \$590,539 + Federal \$1,019,568 = \$1,610,107) .

ASSUMPTION (continued)

In response to SB 298 from the current session, officials from the **DSS, Family Support Division** and **Division of Legal Services** assumed no fiscal impact to their divisions.

In response to SB 298 from the current session, officials from the **University of Missouri (UM) Health Care** stated that the proposed legislation, as currently written, would create additional expenses in excess of \$100,000 annually. The expenses would be related to the additional staffing requirements of three financial counselors needed to notify patients of their outpatient status, the billing implications of that status, and the status on the patient's health insurance coverage.

In response to SB 298 from the current session, officials from **Cooper County Memorial Hospital (Hospital)** stated that it is not possible to determine the costs of the proposal at the present time. The Hospital's current system does not have the capabilities to meet the requirements of the proposal and the Hospital would be required to have new software and additional staff.

Oversight assumed an unknown, greater than \$4.9 million impact to hospitals beginning in FY 2016 (full year). Based on DSS' response it appears likely that hospitals will be required to hire additional personnel to meet the provisions of the proposal. In addition, hospitals may be required to update hospital computer systems in order to comply with the provisions. Beginning in FY 2019, hospitals will begin to receive reimbursement for this increase in expenditures from the State of Missouri through increases in per diem rates paid based on their 2015 cost reports. It is assumed that beginning in FY 2019, costs to hospitals will be unknown, exceeding \$3.3 million annually (\$4.9 million costs - \$1.6 million in reimbursements through increased per diem rates paid by DSS-MHD).

In response to SB 298 from the current session, officials from the **Department of Health and Senior Services** and the **Department of Mental Health** each assume the proposal would not fiscally impact their respective agencies.

FISCAL IMPACT - State
 Government

	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
GENERAL REVENUE FUND				

Costs - DSS-MHD

State share of increase in hospital expenses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$590,539)</u>
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**ESTIMATED NET
 EFFECT ON THE
 GENERAL REVENUE
 FUND**

\$0 **\$0** **\$0** **(\$590,539)**

UNIVERSITY FUNDS

Costs - UM

Personal service related costs to meet the requirements of the proposal	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>	<u>(Unknown greater than \$100,000)</u>
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**ESTIMATED NET
 EFFECT ON
 UNIVERSITY FUNDS**

**(Unknown
greater than
\$100,000)** **(Unknown
greater than
\$100,000)** **(Unknown
greater than
\$100,000)** **(Unknown
greater than
\$100,000)**

FEDERAL FUNDS

Income - DSS-MHD

Increased program reimbursements	\$0	\$0	\$0	\$1,019,568
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Costs - DSS-MHD

Increased program expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,019,568)</u>
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**ESTIMATED NET
 EFFECT ON FEDERAL
 FUNDS**

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

FISCAL IMPACT - Local
 Government

	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2019)
LOCAL GOVERNMENTS - HOSPITALS				
<u>Income - Hospitals</u>				
Increase in reimbursements				\$1,600,000
<u>Costs - Hospitals</u>				
Increase in expenditures	(Unknown greater than \$4,900,000)	(Unknown greater than \$4,900,000)	(Unknown greater than \$4,900,000)	(Unknown greater than \$4,900,000)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - HOSPITALS	(Unknown greater than \$4,900,000)	(Unknown greater than \$4,900,000)	(Unknown greater than \$4,900,000)	(Unknown greater than \$3,300,000)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal requires a hospital to provide oral and written notice to a patient of that patient's outpatient status, the billing implications of that status, and the impact of that status on the patient's Medicare, MO HealthNet, and private insurance coverage for the current hospital services, including medications, pharmaceutical supplies, and coverage for subsequent discharge to either a skilled nursing facility or home- and community-based care. The notice shall be provided if: (1) the patient receives onsite services from the hospital for more than 23 consecutive hours; (2) the onsite services received include a hospital bed and meals provided in an area other than the hospital emergency room; and (3) the patient has not been formally admitted as an inpatient to the hospital.

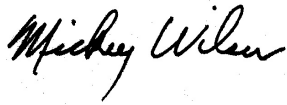
The patient notice must contain specified language and shall be provided orally and in writing. The notice will include disclosure of the cost and ramification of the patient's status and a right of appeal with regards to that status. The written notice will be signed and dated by the patient or the patient's legal representative, as well as by the staff person who communicated the patient's status.

This proposal contains an emergency clause.

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

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SOURCES OF INFORMATION

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

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Director
February 17, 2014

Ross Strobe
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February 17, 2014