COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1356-01
Bill No.: HB 660
Subject: Medicaid; Health Care; Hospitals; Emergencies
Type: Original
Date: March 3, 2015

Bill Summary: This proposal requires Mo HealthNet participants to pay a a co-payment of eight dollar for the use of emergency room services for the treatment of a non-emergency condition.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	($144,514)	$55,823	$57,025
Total Estimated Net Effect on General Revenue	**($144,514)**	**$55,823**	**$57,025**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Various Other State Funds	($9,087)	($9,480)	($9,589)
Total Estimated Net Effect on Other State Funds	**($9,087)**	**($9,480)**	**($9,589)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal*	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

*** Income, expenses, savings and loss net to $0.**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	0.4	0.4	0.4
Various Other State Funds	0.2	0.2	0.2
Federal	0.4	0.4	0.4
Total Estimated Net Effect on FTE	**1**	**1**	**1**

☒ 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
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS), Mo HealthNet Division (MHD)** state:

§208.142 - $8 copay for using ER for non-emergency medical condition

> Beginning October 1, 2015, the Department of Social Services shall require MO HealthNet (MHD) participants to pay an eight dollar co-payment fee for use of a hospital emergency department for the treatment of a condition that is not an emergency medical condition. The Department shall promulgate rules for the implementation of this act.

The Centers for Medicare and Medicaid Services (CMS) must approve an amendment to the Medicaid and Children's Health Insurance State Plan to charge an eight dollar co-pay for the use of emergency room services for the treatment of a non-emergency condition. Per CMS, pregnant women are currently exempt from paying a co-pay. For this estimate, MHD assumes the State Plan Amendment would continue to exclude pregnant women from this co-pay.

MHD currently utilizes a Low-Acuity Non-Emergency (LANE) methodology in the Managed Care program to identify preventable non-emergent visits. In order to reduce Emergency visit rates paid to hospitals based on the co-pay, MHD would need to implement the LANE methodology into the Medicaid Management Information System (MMIS) payment system. The co-payment would ultimately reduce the hospital payment. This would result in a cost savings for MHD.

In 2014 there were a total of 409,285 fee-for-service emergency room visits. Pregnant women aren't charged a co-pay. MHD estimates approximately 4 percent of the emergency room visits were pregnant women (16,569 visits/409,285 ER visits = 0.04 or 4%). That leaves 392,716 visits where a co-pay is charged (409,285 - 16,569 = 392,716). Based on a report issued by the Centers for Medicare and Medicaid Services (CMS) in January 2014 (studies showed approximately 10% of emergency room visits were for non-emergent conditions), MHD assumes 10% of the 392,716 ER visits are non-emergent visits (39,272). MHD currently charges a $3.00 co-pay for Outpatient/Emergency Room Services. Changing the co-pay to $8.00 would result in a $5.00 increase in the amount paid for ER visits by fee-for-service program participants. This would create a savings of $196,360 (39,272 non-emergency ER visits X $5.00 increase). A 1.9% inflation rate was added for FY 2016 through FY 2018.

The annual savings for the first full year will be $200,091 ($196,360 X 1.019 = $200,090.84, rounded up). The federal/state split is approximately 63%/37%.

ASSUMPTION (continued)

Total cost savings for MHD would be:

FY 2016 (10 months): Total $166,742 (GR $61,156; Federal $105,586);
FY 2017 (12 months): Total $203,893 (GR $74,782; Federal $129,111); and
FY 2018 (12 months): Total $207,767 (GR $76,203; Federal $131,564).

MHD assumes that a $5.00 increase to the co-pay will not prevent participants from going to the emergency room.

It is estimated it will cost $250,000 to create the separate co-pays and implement the Low-Acuity Non-Emergency algorithm for certain procedure codes in MMIS. These are one-time costs and will be split 50/50 state/federal [FY 2016: $250,000 (GR $125,000; Federal $125,000)].

MHD would consult with an actuarial firm (Mercer) on the implementation and transition of the LANE methodology to Fee-For-Service to ensure the methodology is consistently and accurately applied. This one-time cost is estimated at $125,000, split 50/50 state/federal [FY 2016: $125,000 (GR $62,500; Federal $62,500)].

MHD would need 1 new FTE Licensed Practical Nurse I ($27,672 annually) to audit and review any emergency room LANE type claims that hospitals deem as emergent. These costs will be split 40%/40%20% state/federal/other funds.

Officials from the **University of Missouri Health Care** state they have reviewed the proposed legislation and have determined that, as written, it should not create additional expenses in excess of $100,000 annually.

Oversight assumes this expense is absorbable by the University system.

Officials from **Excelsior Springs Medical Center** responded but did not indicate what the potential impact of the proposal would be on their organization. However, it was indicated that the impact would probably be negative as they feel the $8 co-pays, if not collected, would be too small to assign to a collection agency and would end up being written off.

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

ASSUMPTION (continued)

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.

Officials from the **Department of Health and Senior Services**, the **Department of Mental Health** and the **Joint Committee on Administrative Rules** each assume the proposal would not fiscally impact their respective agencies.

Officials from the following **hospitals**: Barton County Memorial Hospital, Bates County Memorial Hospital, Cedar County Memorial Hospital, Cooper County Hospital, Putnam County Memorial Hospital and Washington County Memorial Hospital did not respond to **Oversight's** request for a statement of fiscal impact.

FISCAL IMPACT - State Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND (§208.142)			
Savings - DSS-MHD			
Reduction in payments to hospitals	$61,156	$74,782	$76,203
Costs - DSS-MHD			
Personal service	($9,224)	($11,179)	($11,291)
Fringe benefits	($4,797)	($5,814)	($5,872)
Equipment and expense	($4,149)	($1,966)	($2,015)
Actuarial services	($62,500)	$0	$0
MMIS update	($125,000)	$0	$0
Total Costs - DSS-MHD	($205,670)	($18,959)	($19,178)
FTE Change - DSS	0.4 FTE	0.4 FTE	0.4 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**($144,514)**	**$55,823**	**$57,205**
Estimated Net FTE Change on the General Revenue Fund	0.4 FTE	0.4 FTE	0.4 FTE

FISCAL IMPACT - State Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
VARIOUS OTHER STATE FUNDS (§208.142)			
Costs - DSS-MHD			
Personal service	($4,612)	($5,590)	($5,646)
Fringe benefits	($2,398)	($2,907)	($2,936)
Equipment and expense	($2,077)	($983)	($1,007)
Total Cost - DSS-MHD	($9,087)	($9,480)	($9,589)
FTE Change - DSS-MHD	0.2 FTE	0.2 FTE	0.2 FTE
ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS	**($9,087)**	**($9,480)**	**($9,589)**
Estimated Net FTE Change on Various Other State Funds	0.2 FTE	0.2 FTE	0.2 FTE
FEDERAL FUNDS (§208.142)			
Income - DSS-MHD			
Program reimbursements	$205,670	$18,959	$19,178
Savings - DSS-MHD			
Reduction in payments to hospitals	$105,586	$129,111	$131,564
Costs - DSS-MHD			
Personal service	($9,224)	($11,179)	($11,291)
Fringe benefits	($4,797)	($5,814)	($5,872)
Equipment and expense	($4,149)	($1,966)	($2,015)
Actuarial services	($62,500)	$0	$0
MMIS updates	($125,000)	$0	$0
Total Cost - DSS-MHD	($205,670)	($18,959)	($19,178)
FTE Change - DSS	0.4 FTE	0.4 FTE	0.4 FTE
Loss - DSS-MHD			
Reduction in program reimbursements	($105,586)	($129,111)	($131,564)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**
Estimated Net FTE Change on Federal Funds	0.4 FTE	0.4 FTE	0.4 FTE

FISCAL IMPACT - Local Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small business medical offices may see an increase in the number of visits by MO HealthNet fee-for-service participants that opt not to go to the emergency room for non-emergent conditions as a result of higher co-pays.

FISCAL DESCRIPTION

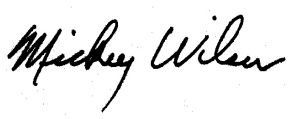
This proposal specifies that beginning October 1, 2015, a MO HealthNet participant who uses hospital emergency department services for the treatment of a medical condition that is not an emergency medical condition is required to pay a co-payment of $8 for the services. A participant must be notified of the $8 co-payment prior to services being rendered.

An "emergency medical condition" is defined as a medical condition manifesting itself by acute symptoms of sufficient severity including severe pain that a prudent layperson who possesses an average knowledge of health and medicine could reasonably expect the absence of immediate medical attention to result in the following: (1) Placing the health of the individual, or with respect to a pregnant woman, the health of the woman or her unborn child, in serious jeopardy; (2) Serious impairment to bodily functions; or (3) Serious dysfunction of any bodily organ or part.

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 Health and Senior Services
Department of Mental Health
Department of Social Services -
MO HealthNet Division
Joint Committee on Administrative Rules
Office of Secretary of State
University of Missouri
Excelsior Springs Medical Center



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