

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2350-03
Bill No.: HCS for HB 1066
Subject: Hospitals; Health Department; Health, Public
Type: Original
Date: April 8, 2015

Bill Summary: This proposal changes laws regarding health care facility infection reporting.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
General Revenue	(\$267,973)	(\$275,863)	(\$181,268)	(\$958,159)
Total Estimated Net Effect on General Revenue	(\$267,973)	(\$275,863)	(\$181,268)	(\$958,159)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
Federal	\$0	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

* Income and expenses exceed \$1.3 million annually and net to \$0 beginning in FY 2021.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2021)
General Revenue	2	2	2	2
Total Estimated Net Effect on FTE	2	2	2	2

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 2021)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** prepared a fiscal note for the original version of this bill without all of the agency responses. Oversight has since obtained the agency responses and upon review of those responses, believes the original fiscal note should be updated. Therefore, this fiscal note updates the original by providing agency responses and including the changes in the current version of this proposal.

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Since these requirements would be effective August 28, 2016, any additional cost would begin to be reflected in 2016 or 2017 cost reports. MO HealthNet would use 2016 and 2017 cost reports to establish reimbursement for FY 2020 and FY 2021. Therefore, there would not be a fiscal impact to the MHD for FY 2016, FY 2017, and FY 2018, but starting FY 2020 there could be additional costs. Since the exact requirements for this proposal are not known at this time, MHD can only provide an estimate for these additional costs starting in FY 2020. Per the Bureau of Labor Statistics, the average salary of a Registered Nurse in Missouri in 2013 was \$58,040. MHD assumes this proposal will take 25% of a Registered Nurse's time on average per facility. Additionally, the average salary of a Pharmacist in Missouri in 2013 was \$114,000 (per salarybystate.org). MHD assumes this proposal will take 25% of a Pharmacist's time on average per facility. Then, assuming this will impact approximately 150 Missouri hospitals, the estimated cost of this proposed legislation could be up to \$6,451,500 per year. Furthermore, MHD is prorating this increase in costs to hospitals by the FY 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 \$2,089,641 ($\$6,451,500 \times 32.39\%$). Since the requirement is effective for hospitals August 28, 2016, only a portion of the cost would be in FY 20. 82 hospitals have a cost report year end between August 28 and December 31. The estimated cost for FY 20 is \$1,142,337 ($\$2,089,641 \times 82/150$). The estimated cost for FY 21 is \$2,089,641. The costs will be split approximately 37% GR/63% Federal.

Officials from the **DHSS** provided the following assumptions:

§192.667 - Infection reporting

DHSS would have to work with the Office of Administration, Information Technology Services Division (ITSD) to enhance the current MHIRS (Missouri Hospital Infection Reporting System) website to collect any new surgery types and possibly new facility types (e.g., dialysis centers, nursing homes). This would include major revisions to the Annual Registration site. In addition, major modifications to the public and historical reports would be required. DHSS staff will need

ASSUMPTION (continued)

to develop statistical standards for any new surgery categories and possibly new facility types and/or incorporate standards developed by the Center for Medicare and Medicaid Services (CMS). Staff will also be needed to monitor the expanded list of surgery categories to ensure that data is being properly reported and that DHSS is getting valid, accurate data.

To perform Bureau of Health Care Analysis and Data Dissemination (BHCADD) activities in accordance with the above assumptions, BHCADD will need one Research Analyst III (\$40,380 annually).

DHSS would also be asked to work with hospitals, Ambulatory Surgical Centers (ASCs) in developing the antimicrobial stewardship program. The DHSS would be tasked with writing an annual report for the state and regions describing incidence, type and distribution. This data would be available from the National HealthCare Safety Network (NHSN) through the Center for Disease Control's Antimicrobial Use and Resistance (AUR) Module.

To perform activities in accordance with the above assumptions, DHSS (either the Bureau of Communicable Disease Control and Prevention or another assigned Bureau) would need one additional Research Analyst III (\$40,380, annually).

DHSS provided OA, ITSD's costs. ITSD assumes every new IT project/system will be bid out because all ITSD resources are at full capacity. A 12-month project time-line was assumed with the first six (6) months focused on analysis, design and development of the functionality necessary to begin collecting and reporting antibiotic use by January 1, 2016, with the remainder of the development and implementation being completed in FY 2017. The project increases the amount of data being collected, stored and reported. Therefore, costs have been included for additional disk space. ITSD assumes costs to the General Revenue Fund of \$129,772 for FY 2016; \$123,980 for FY 2017; and \$27,449 for FY 2018.

Oversight notes the increase in DSS, MHD's costs do not occur until FY 2021. Oversight extrapolated DHSS and OA, ITSD costs to FY 2021 using a 1% inflationary rate for salary related expenses and a 2.5% inflationary rate for all other costs (the same rates currently used in fiscal note calculations) so that Fully Implemented Costs present all agency costs, not just MHD's.

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

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 **University of Missouri** did not respond to **Oversight's** request for a statement of fiscal impact.

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

<u>FISCAL IMPACT - State</u>				Fully
<u>Government</u>	FY 2016	FY 2017	FY 2018	Implemented
	(10 months)			(FY 2021)
GENERAL REVENUE FUND (\$192.667)				
<u>Costs - DHSS</u>				
Personal service	(\$67,300)	(\$81,568)	(\$82,383)	(\$84,880)
Fringe benefits	(\$34,999)	(\$42,419)	(\$42,843)	(\$44,142)
Equipment and expense	(\$35,902)	(\$27,896)	(\$28,593)	(\$33,159)
Total <u>Costs - DHSS</u>	<u>(\$138,201)</u>	<u>(\$151,883)</u>	<u>(\$153,819)</u>	<u>(\$162,181)</u>
FTE Change - DHSS	2 FTE	2 FTE	2 FTE	2 FTE
 <u>Costs - OA-ITSD</u>				
Development, implementation and storage costs	(\$129,772)	(\$123,980)	\$0	\$0
On-going maintenance and storage costs	<u>\$0</u>	<u>\$0</u>	<u>(\$27,449)</u>	<u>(\$29,560)</u>
Total <u>Costs - OA-ITSD</u>	<u>(\$129,772)</u>	<u>(\$123,980)</u>	<u>(\$27,449)</u>	<u>(\$29,560)</u>
 <u>Costs - DSS-MHD</u>				
Increase in hospital reimbursements	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$766,418)</u>
 ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	 <u>(\$267,973)</u>	 <u>(\$275,863)</u>	 <u>(\$181,268)</u>	 <u>(\$958,159)</u>
 Estimated Net FTE Change on the General Revenue Fund	 2 FTE	 2 FTE	 2 FTE	 2 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2021)
FEDERAL FUNDS (\$192.667)				
<u>Income - DSS-MHD</u>				
Increase in program reimbursements	\$0	\$0	\$0	\$1,323,223
<u>Costs - DSS-MHD</u>				
Increase in hospital program costs	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,323,223)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 months)	FY 2017	FY 2018	Fully Implemented (FY 2021)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could impact small business ambulatory surgical centers (ASCs) administrative costs as ASCs are required to develop an antimicrobial stewardship program. In addition, ASCs will have to meet new reporting requirements.

FISCAL DESCRIPTION

This proposal changes the laws regarding infection reporting. Currently, the Department of Health and Senior Services must develop public reports containing the risk-adjusted nosocomial infection incidence rate for Class I surgical site infections, ventilator-associated pneumonia, central line-related bloodstream infections, and other categories of infections that may be established by rule by the department. The proposal changes the infections that must be included in the report to: (1) Class I surgical site infections associated with caesarean sections and vaginal

FISCAL DESCRIPTION (continued)

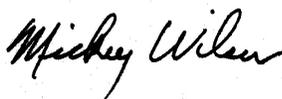
births, hip and knee replacements, and hysterectomies including abdominal, vaginal, and laparoscopic; (2) Ventilator-associated events; (3) Central line-related bloodstream infections; (4) All infections specified for reporting by hospitals, ambulatory surgical centers, and other health care facilities by the Centers for Medicare and Medicaid Services or its successor; and (5) Other categories of infections that may be established by rule by the department.

No later than January 15, 2016, the department must promulgate rules specifying the standards and procedures for each hospital and ambulatory surgical center to establish an antibiotic stewardship program for evaluating the judicious use of antibiotics, especially antibiotics that are the last line of defense against resistant infections. The program procedures must be reported publicly and results of the program must be monitored by hospital quality improvement departments. Results must also be reported quarterly to the department and the department must make the results available to the public on the department's website. In promulgating the rules, the department must: (1) Use methodologies and systems for data collection established by the federal Centers for Disease Control and Prevention National Healthcare Safety Network or its successor; (2) Consider the findings and recommendations of the Infection Control Advisory Panel within the department; and (3) Establish a time line for implementation, with antibiotic use reporting to begin by January 1, 2016, and reporting of antibiotic resistant infections to begin by January 1, 2017.

This legislation is not federally mandated and would not duplicate any other program, but may 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 Administration -
Information Technology Services Division
Office of the Secretary of State



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