

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1090-02  
Bill No.: HCS for HB 234  
Subject: Taxation and Revenue - Income; Health Care; Lotteries  
Type: Original  
Date: March 5, 2013

Bill Summary: This proposal would authorize the creation of a claim clearinghouse system to process debt offset claims by ambulance service providers against individuals' income tax refunds or lottery winnings.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Unknown) to Unknown	(\$71,151) to Unknown	(\$72,124) to Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown) to Unknown</b>	<b>(\$71,151) to Unknown</b>	<b>(\$72,124) to Unknown</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
General Revenue	2 FTE	2 FTE	2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

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## FISCAL ANALYSIS

### ASSUMPTION

#### Sections 143.789 and 143.790, RSMo. - Ambulance Service Debt Offset

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal would not result in additional costs or savings to their organization.

BAP officials assumed the proposal would allow for an offset against an individual's income tax refund to pay delinquent taxes owed to the state of Missouri, debts owed to a state agency, support obligations enforced by the Family Services Division, collection assistance fees, qualified health service claims, and delinquent taxes owed to the United States. BAP officials also assumed the proposal would increase General and Total State Revenues by unknown amounts through the mitigation of outstanding tax liabilities and debts to state agencies, and due to collection assistance fees applied and deposited into the General Revenue Fund.

BAP officials did not provide an estimate of the fiscal impact of the proposal.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** provided the following response to a previous version of this proposal.

Section 143.789, RSMo.

The proposal would grant the Director the authority to offset an income tax refund in specific situations, and would provide the order of priority in which claims for a refund offset could be paid.

The Department and OA - ITSD (DOR) would need to make programming changes to various processing systems.

Section 143.790, RSMo.

The proposal would eliminate the current program for processing delinquent health care billing claims, and would provide a system for processing delinquent ambulance service claims through a clearinghouse designated by DOR.

The proposal would authorize a collection assistance fee for DOR services; in the event DOR is unable to offset the entire eligible claim and collection assistance fee under this section, the collection assistance fee would have priority over the claim.

Lottery prizes would be subject to the same offset procedures as income tax refunds.

The Department and OA - ITSD (DOR) would need to make programming changes to hold the refund payment in suspense during the appeal period, and to deduct a collection fee.

The Department and OA - ITSD (DOR) would need to make additional programming changes if DOR is required to offset lottery payments in addition to income tax refunds.

Fiscal Impact

DOR officials noted that Total State Revenue would be increased by \$14 for every refund offset processed, but DOR did not provide an estimate of the number of potential offsets for this program.

ASSUMPTION (continued)

Administrative Impact

DOR officials assumed implementing the proposal would require additional employees. Personal Tax would require two additional FTE Revenue Processing Technician I (Range 10, Step L) to process correspondence and apportionments and one additional FTE Accountant I (Range 18, Step M) to administer the money. In addition, Collections and Tax Assistance (CATA) would require one additional FTE Tax Collection Technician I (Range 10, Step L) per 15,000 additional contacts annually on the delinquent tax line, with CARES phone equipment, one additional FTE Tax Collection Technician I (Range 10, Step L) per 24,000 additional contacts annually on the non-delinquent tax line, with CARES phone equipment, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 additional contacts annually in the Tax Assistance Offices, with CARES phone equipment.

The DOR response included a total of six additional employees; with the associated benefits, equipment, and expense, the estimated cost totaled \$253,315 for FY 2014, \$257,201 for FY 2015, and \$259,898 for FY 2016.

**Oversight** assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly \$6,000 per new employee.

**Oversight** notes that this proposal would be limited to unpaid ambulance service claims, and would require most of the processing for those claims to be done by the claimant and the clearinghouse. Accordingly, Oversight assumes the proposal could be implemented with two additional DOR employees. If unanticipated costs are incurred or if multiple proposals are enacted which increase the DOR workload, resources could be requested through the budget process.

**Oversight** has, for fiscal note purposes only, changed the starting salary for the additional employees 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 and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of equipment and expense in accordance with OA budget guidelines. Finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space.

ASSUMPTION (continued)

IT Impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$122,699 based on 4,536 hours of programming to make changes to DOR systems.

**Oversight** will include the DOR estimate of IT cost in this fiscal note.

Officials from the **Missouri Lottery (Lottery)** assume this proposal could negatively impact player behavior by allowing offset of lottery prize payouts for public ambulance services.

Lottery officials stated that staff resources would be necessary to process the offsets, and the proposal would also require IT programming costs and ongoing accounting resources. Lottery officials provided an estimate of \$100,000 for IT programming to the Lottery check writing system for the new offset category, and an unknown cost for administering the offset process.

**Oversight** assumes the prospect of a debt offset against lottery prize payouts could affect player behavior but that effect would not be considered a direct impact and will not be included in this fiscal note. For fiscal note purposes, Oversight will include an unknown IT cost for the Lottery to make changes to their systems. Oversight assumes that any administrative or personnel cost to the Lottery as a result of this proposal would be minimal and could be absorbed with existing resources. If unanticipated costs are incurred or if multiple proposals are enacted which increase the Lottery workload, resources could be requested through the budget process.

Officials from the **Department of Health and Senior Services (DOHSS)** assume this proposal would have no fiscal impact on their organization. DOHSS officials stated that the program currently authorized in state law and assigned to their organization was never implemented.

Officials from **Barton County Memorial Hospital** assume this proposal would have an unknown positive fiscal impact to their organization.

ASSUMPTION (continued)

Officials from the **Office of State Courts Administrator**, the **Administrative Hearing Commission**, and the **Department of Insurance, Financial Institutions, and Professional** each assume this proposal would not fiscally impact their respective agencies.

Officials from the **Office of State Courts Administrator**, the **Office of Administration**, the **Administrative Hearing Commission**, the **Department of Insurance, Financial Institutions, and Professional Registration**, the **Department of Social Services**, and the **DeSoto Rural Fire Protection District** each assumed a previous version of this proposal would not fiscally impact their respective agencies.

Oversight assumption

**Oversight** is not able to estimate the level of activity which could be generated in this proposed offset program. Therefore, Oversight assumes the proposed DOR collection assistance fee would generate unknown additional revenue. Further, Oversight cannot determine whether the revenue generated would be adequate to offset the expected DOR costs to operate program and cover any transaction costs involved with using the clearinghouse. For fiscal note purposes, Oversight will include an unknown amount for collection assistance fee revenue, and will use the adjusted DOR estimate of cost to their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE FUND</b>			
<u>Additional revenue</u> - Department of Revenue			
Collection Assistance Fees Section 143.790, RSMo.	Unknown	Unknown	Unknown
<u>Cost</u> - Department of Revenue Section 143.790, RSMo.			
Salaries	(\$38,560)	(\$46,272)	(\$46,735)
Benefits	(\$19,567)	(\$23,481)	(\$23,716)
IT cost	(\$122,699)	\$0	\$0
Equipment and expense	(\$16,241)	(\$1,398)	(\$1,673)
<u>Total cost</u> - DOR	(\$197,067)	(\$71,151)	(\$72,124)
FTE change - DOR	2 FTE	2 FTE	2 FTE
<u>Cost</u> - Missouri Lottery Section 143.790, RSMo.			
IT cost	( <u>Unknown</u> )	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(Unknown) to <u>Unknown</u></b>	<b>(\$71,151) to <u>Unknown</u></b>	<b>(\$72,124) to <u>Unknown</u></b>
Estimated Net FTE Effect on General Revenue Fund	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>LOCAL GOVERNMENTS</b>			
<u>Additional revenue</u> - collection of unpaid ambulance service charges Section 143.790, RSMo.	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact on small businesses which operate ambulance services.

FISCAL DESCRIPTION

This proposal would eliminate the health care debt offset program currently assigned to the Department of Health and Senior Services.

The proposal would authorize the Department of Revenue (DOR) to impose a debt offset against a refund due a taxpayer, and would specify the priority of debts which could be offset. DOR could designate a claim clearinghouse which would process and verify offset requests against income tax refunds and lottery winnings. Prior to utilizing the clearinghouse, a health care provider would be required to determine whether the patient is eligible for relief from the debt under the provider's financial hardship policy, and would be required to exhaust all available means of collecting the debt from the patient or third-party payer. The provider would be required to provide specific notices to the patient, and allow for various levels of review and appeal of the claim.

A collection assistance fee would be assessed to each offset for the costs of collecting the debt, and allocated between the clearinghouse and the Department of Revenue. Claims for debts owed to ambulance service providers requesting an offset would have the lowest priority among the claim types in the proposal.

FISCAL DESCRIPTION (continued)

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

Office of State Courts Administrator  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
Administrative Hearing Commission  
Office of Administration - Division of Budget and Planning  
Department of Health and Senior Services  
Department of Insurance, Financial Institutions, and Professional Registration  
Missouri Lottery  
Department of Revenue  
Department of Social Services  
Barton County Memorial Hospital  
DeSoto Rural Fire Protection District



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March 5, 2013