

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1291-05
Bill No.: HB 626
Subject: Consumer Protection; Health Care; Health Care Professionals; Health Department; Hospitals; Physicians
Type: Original
Date: March 14, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(Greater than \$818,260)	(Greater than \$718,781)	(Greater than \$688,469)
Total Estimated Net Effect on General Revenue Fund	(Greater than \$818,260)	(Greater than \$718,781)	(Greater than \$688,469)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Mental Health** assume this proposal would not fiscally impact their agency.

Officials from the **Department of Social Services (DOS)** assume the proposed legislation requires the Department of Health and Senior Services (DOH) to collect patient abstract and financial data on the most common one hundred specified conditions and procedures from hospitals.

DOS states the additional costs incurred by a hospital to meet the requirements of the proposed legislation would not be reflected in the hospitals' rates until the Medicaid rate is rebased. Based upon current legislation, the SFY 2006 cost report would be the basis of the SFY 2011 hospital Medicaid rate.

Officials from the **Department of Health and Senior Services (DOH)** assume this legislation would require hospitals to report certain health care data to the DOH and the DOH would be required to post price and performance comparisons of hospitals on a state website. It would also require hospitals to report certain adverse health care events to the DOH and provide their root cause analysis and plan of correction to the DOH for review and analysis. The DOH would

ASSUMPTION (continued)

be required to develop a reporting system for such events. The DOH would then issue an annual report.

DOH assumes this proposal would significantly expand the volume and categories of data to be collected by DOH, adding greater complexity to already large data sets for patient abstract reporting by hospitals. It also stipulates that the patient abstract data be submitted in accordance with the federal transaction standards and code sets required by the Health Insurance Portability and Accountability Act (HIPAA), within 30 days following the end of a calendar quarter (in contrast to the current five-month requirement). Given these changes, DOH assumes it would be necessary to move the data collection and data management of the patient abstract data to an information technology (IT) activity, with more sophisticated data warehousing of the information. This change would also require the acquisition or development of software to handle the data transactions and editing.

In addition to the IT activity, DOH assumes it would be required to prepare performance outcomes data on 100 selected conditions/procedures, that are appropriately risk-adjusted and made available on a rolling quarter basis, and using an interactive query system, on the DOH website. Selection of the 100 conditions/ procedures would be informed by input from a technical advisory group. The performance measure data provided on the website would be accompanied by 1) educational information on each condition/procedure, 2) consumer-friendly explanations of risk-adjustment methods used, and 3) specified links to other resources. The proposal also mandates that DOH conduct a consumer outreach campaign on the performance measures, as well as conduct a study on the most effective methods for public disclosure of provider performance data and additional measures that should be considered for disclosure.

In addition to the above, DOH anticipates that the broader access to the patient abstract data mandated in the proposal would dramatically increase the number of data requests DOH would need to respond to, as well as the complexity of the requests. DOH assumes there would also be additional resources required to address the handling of data request fees that would be deposited into a special fund.

Division of Senior Services & Regulation (DSSR)

DSSR anticipates that existing staff time would be needed to assist with establishing the list of conditions and procedures that would become part of the patient abstract data that would be collected, the development of the adverse event reporting system, as well as with development of website information.

For Sections 197.140 through 197.146 of the legislation, known as the "Missouri Adverse Health

ASSUMPTION (continued)

Care Event Reporting Act of 2005", the fiscal impact to the Section for Health Standards and Licensure is unknown, greater than \$100,000. This is based on the following:

1. The number of adverse health care events that hospitals would be required to report is unknown. Reporting codes for many of the events listed in Section 197.142 do not exist and for those codes that do exist, there is likely underreporting of events. Research seems to indicate that the rate of adverse events varies anywhere from 2.9% to 7.5% of hospital admissions.
2. The time required to analyze each adverse event report and corrective action plan is unknown and would vary widely depending on the type of event, completeness of documentation submitted, etc.
3. The time required to compile an annual report is unknown, based on the fact that the number of reported events is unknown.

In addition, staff time would be required to implement sanctions against a facility, if needed, and for promulgation of rules.

Center for Health Information Management & Evaluation (CHIME)

DOH would need the following staff to meet the requirements of this proposal: Research Manager Band II, Research Analyst III, 2 Research Analyst III, Public Information Coordinator, Senior Office Support Assistant (SOSA)/Keyboarding, 2 Computer Information Technology Specialist I, and 2 Computer Information Technologist III

Data Warehouse Development Contractor:

1,040 hours contractor for initial design and development of operational data stores, data warehouse data marts, and reports for patient abstract data system, including knowledge transfer to DOH FTEs. (1,440 hours × \$65.00 = \$93,600 year 1)

Application Development Contractor:

Twelve months (2,880 hours) contractor to assist with design and development of specifications, web user interfaces, documentation, and knowledge transfer to meet the business requirements of 197.142 and 197.144. (1387 hours × \$65.00 = \$90,125 year 1 693 hours × \$65.00 = \$45,045 year 2)

ASSUMPTION (continued)

Equipment & Software:

Crystal Reports Enterprise (CRE) concurrent users 10@\$4,000 each = \$40,000. This would enable data reporting from the department data warehouse. CRE Annual Maintenance 10@\$800 each = \$8,000. This would be an ongoing cost that provides customer support and upgrades. CRE Server for Internet reporting. \$4,000 in ongoing funds to lease this server. Training is needed for new staff to keep up with changes in different software development packages. \$1,500 is requested for each CIT for this purpose.

Income Generation:

DOH does not anticipate having any data available for purchase until sometime in FY 2009. At that time DOH would estimate generating \$7,000 per report. DOH anticipates having 10 requests for data.

Oversight has, for fiscal note purposes only, changed the starting salary for the DOH positions to the first step for FY 06 and the second step for subsequent years to correspond to comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials from **Barton County Memorial Hospital, Bates County Memorial Hospital, Cedar County Memorial Hospital, Cooper County Memorial Hospital, Excelsior Springs Medical Center, Putnam County Memorial Hospital and Washington County Memorial Hospital** did not respond to our fiscal not request. **Oversight** assumes hospitals would have an unknown cost due to additional reporting requirements.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
<u>Costs - Department of Health and Senior Services</u>			
Personal Service (8 FTE)	(\$278,150)	(\$347,551)	(\$356,240)
Fringe Benefits	(\$118,659)	(\$148,265)	(\$151,972)
Expense and Equipment	(\$321,451)	(\$122,965)	(\$80,257)
Missouri Adverse Health Care Event Reporting act of 2005	<u>(Greater than \$100,000)</u>	<u>(Greater than \$100,000)</u>	<u>(Greater than \$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Greater than \$818,260)</u>	<u>(Greater than \$718,781)</u>	<u>(Greater than \$688,469)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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LOCAL HOSPITALS

<u>Costs</u> -Local Hospitals			
Additional reporting requirements	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON LOCAL HOSPITALS	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal changes the laws regarding the collection and reporting of health care data by hospitals. In its main provisions, the proposal:

- (1) Requires the Department of Health and Senior Services to collect data on the 100 most common conditions and procedures for hospitals beginning April 1, 2006;
- (2) Requires the department to establish, by rule, a list of the 100 most common inpatient and outpatient conditions and procedures for hospitals by March 1, 2006;
- (3) Requires the department to convene a group of technical experts to assist with compiling the list of common conditions and procedures;
- (4) Requires the department to promulgate rules specifying requirements for the collection and reporting of data about health care conditions by July 1, 2006;
- (5) Specifies that hospitals must provide charge data and financial data to the department at least once a year;
- (6) Requires hospitals to provide patient abstract data within 30 days of the end of each quarter for each person who was admitted to the hospital or who received outpatient or emergency care;

DESCRIPTION (continued)

- (7) Requires the collection, compilation, analysis, and dissemination of information obtained by the department from hospitals to be done in a way that protects patient confidentiality and privacy;
- (8) Allows the department to authorize the use of patient abstract data by specified groups or individuals and allows the department to determine fees for providing access to the data;
- (9) Requires the department, by July 1, 2006, to make available on its web site information about performance outcomes using the patient outcome data, an explanation of the data, and educational information about each condition or procedure;
- (10) Specifies that the failure of hospitals to report data to the department may result in sanctions to the hospital's license; and
- (11) Establishes the Missouri Adverse Health Care Event Reporting Act of 2005, which requires the department, by July 1, 2006, to establish an adverse health event reporting system for hospitals to report the occurrence of any of the specified adverse health care events, patient prevention events, care management events, environmental events, and criminal events.

The provisions of the proposal will expire six years from the effective date.

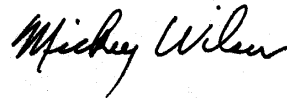
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Health and Senior Services
Department of Mental Health
Department of Social Services

NOT RESPONDING: Barton County Memorial Hospital, Bates County Memorial Hospital, Cedar County Memorial Hospital, Cooper County Memorial Hospital, Excelsior Springs Medical Center, Putnam County Memorial Hospital and Washington County Memorial Hospital



Mickey Wilson, CPA
Director
March 14, 2005