

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1496-01
Bill No.: HB 579
Subject: Hospitals; Licenses-Professional; Department of Health and Senior Services
Type: Original
Date: March 15, 2011

Bill Summary: This legislation changes various provisions regarding the licensure and inspection of hospitals.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Sections 197.071, 197.080, 197.100 & 536.031:

Officials from the **Department of Mental Health** and the **Office of Administration-Administrative Hearing Commission** each assume the proposal would have no fiscal impact on 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 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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Social Services** assume this legislation changes various provisions regarding the licensure and inspection of hospitals. There is a possibility of administrative cost savings to a hospital as a result of less time involved in inspections if the Department of Health and Senior Services (DHSS) reduces the number of inspections or combines them with other processes which are performed by DHSS or other authorized agencies. These requirements may result in a cost savings to hospitals, but the amount is unknown.

MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Since the first requirement is effective August 28, 2011, the reduced cost would begin to be reflected in 2011 cost reports. MO HealthNet would use 2011 cost reports to establish reimbursement for SFY15. Therefore there would not be a fiscal impact to the MO HealthNet Division for FY12, FY13 and FY14, but starting FY15 there could be a cost savings, but the amount is unknown.

ASSUMPTION (continued)

Officials from the **Department of Health and Senior Services (DHSS)** states section 197.080.2 of the proposed legislation would require the DHSS to review and revise hospital licensure and enforcement regulations in order to promote hospital and regulatory efficiencies and eliminate duplicative regulations and inspection by state and federal agencies. DHSS, Division of Regulation and Licensure (DRL) is currently involved in a comprehensive review and revision of the existing hospital regulations and therefore assumes there to be no fiscal impact to implement the rule review/revision part of the proposed legislation.

Section 197.080.2(1) of the proposed legislation states that each finding of a regulatory deficiency must refer to the associated written interpretive guidance that forms the basis for the citation. There are currently no interpretive guidelines for state regulations. Such guidelines would have to be developed and updated on a continuous basis. One Health Facilities Nursing Consultant position will be required in order to analyze all hospital-related rules (currently 48 rules), research and write the initial set of interpretive guidelines, and provide continuous updates. Standard expense and equipment costs are included for the new position.

Section 197.080.2(5) would require DHSS to provide hospital and hospital representatives the opportunity to participate in annual training sessions provided to state licensure surveyors at least annually. This section also states that hospitals and hospital representatives shall assume all costs for their participation and use of curriculum materials. The Department currently provides an annual surveyor training session each fall. Only select industry members are invited to attend due to cost factors and facility requirements. If this proposal were to pass, DHSS would be required to provide a training session to accommodate the entire hospital industry and any representatives of the industry. At present, there are 153 licensed hospitals in Missouri. At a minimum, space and materials for the training would need to accommodate 153 additional attendees. DRL assumes that the Department would be allowed to charge a registration fee to all hospital and hospital representatives to cover all costs associated with the training. This fee would include such costs as meeting room rental, audio-visual equipment, copying of materials, provided meals and breaks, etc. DRL assumes this fee would cover all costs associated with their attendance, therefore there is assumed to be no fiscal impact related to this requirement.

The proposed legislation's changes to Section 197.100.1 would require the DHSS to accept reports of hospital inspections from other governmental and recognized accrediting organizations in lieu of annual state inspections. Currently, licensure inspections are performed simultaneously during certification surveys mandated by CMS or incorporated with complaint investigations. Since these activities would still continue, there is considered to be no cost savings associated with accepting these reports instead of doing a state inspection.

ASSUMPTION (continued)

Oversight assumes the DHSS could absorb the additional guideline caseload that may result from this proposal within existing resources. Therefore, Oversight assumes the DHSS could absorb one Health Facilities Nurse Consultant FTE.

Officials from the **Bates County Memorial Hospital, Cedar County Memorial Hospital, Cooper County Memorial Hospital, Putnam County Memorial Hospital, Washington County Memorial Hospital** and the **Excelsior Springs Medical Center** each have not responded to Oversight's request for fiscal information.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Sections 197.071, 197.080, 197.100 & 536.031:

The legislation requires the Department of Health and Senior Services (DHSS) to provide the opportunity for hospitals and their representatives to participate in annual training sessions provided by state licensure surveyors. Some hospitals may meet the definition of a small business and would therefore need to assume all costs associated with the participation in this training as stated in the proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

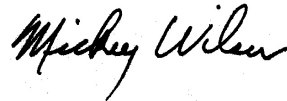
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration-Administrative Hearing Commission
Department of Mental Health
Department of Health and Senior Services
Department of Social Services
Office of the Secretary of State

Not Responding:

Bates County Memorial Hospital
Cedar County Memorial Hospital
Cooper County Memorial Hospital
Putnam County Memorial Hospital
Washington County Memorial Hospital
Excelsior Springs Medical Center



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Director
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