

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4636-03  
Bill No.: HCS for HB 2269  
Subject: Hospitals; Health Care; Health Care Professionals; Physicians  
Type: Original  
Date: April 8, 2016

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Bill Summary: This proposal establishes the Health Care Cost Reduction and Transparency Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
General Revenue	\$0	(\$25,000)	(\$36,772)	(\$1,474,069)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>(\$25,000)</b>	<b>(\$36,772)</b>	<b>(\$1,474,069)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Fully Implemented (FY 2022)</b>
Federal*	\$0	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* FY 2022 income and expenditures exceed \$2.5 million and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Fully Implemented (FY 2022)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Fully Implemented (FY 2022)</b>
<b>Local Government</b>	<b>(Greater than \$300,000)</b>	<b>(Greater than \$300,000)</b>	<b>(Greater than \$300,000)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD) and Division of Legal Services (DLS)** state section 197.170 establishes the Health Care Cost Reduction and Transparency Act.

Beginning July 1, 2018, imaging centers and ambulatory surgical centers shall make available the total costs for the 25 most common surgical procedures or 20 most common imaging procedures performed in ambulatory surgical centers or imaging centers.

Not later than July 1, 2017, hospitals shall make available the amount that would be charged without discounts for each of the one hundred most prevalent diagnosis-related groups as defined by the Medicare program.

MHD assumes there will likely be additional administrative costs to a hospital for gathering, compiling, and transmitting the required information to the Department of Health and Senior Services (DHSS) in the required format or on the facility's website. MO HealthNet bases hospital reimbursement for a given year on the fourth prior year cost report. Since the first reporting requirement is effective not later than July 1, 2017, the additional cost would begin to be reflected in 2018 cost reports. MO HealthNet would use 2018 cost reports to establish reimbursement for State Fiscal Year (SFY) 2022. Therefore, there would not be a fiscal impact to the MHD for FY's 17-21, but starting in FY 2022 there could be additional costs.

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 50% of a Registered Nurse's time on average per facility (or \$29,020) annually. MHD also assumes that hospitals will need to upgrade their information technology (IT) reporting functions in order to comply with this proposed legislation. MHD estimates this cost on average to be \$50,000 for each of the 150 hospitals in the state. Thus, the staff time and the IT costs combined are estimated on average to be \$79,020 per hospital. \$79,020 per hospital with 150 hospitals impacted brings the total estimated cost to hospitals to \$11,853,000. Furthermore, MHD is prorating this increase in costs to hospitals by the SFY 2012 Statewide Mean Medicaid Utilization rate of 32.898% which was calculated by MHD's Independent DSH (Disproportionate Share Hospital) 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 \$3,899,400 (\$11,853,000@ 32.898%). Medicaid costs will be allocated between the General Revenue Fund and federal funds according to the federal match percentage (approximately 37%/63%).

ASSUMPTION (continued)

Section 376.1475 requires health benefit plans that receive electronic health care predeterminations (prior authorizations) from health care providers to provide information on the amounts of expected benefit coverage. The response from the health benefit plan to the provider shall be deemed an estimate, shall not be binding, and shall contain the following information:

- 1) The deductible, coinsurance and co-payment amounts;
- 2) The amount the health care provider will be paid;
- 3) The amount the institution will be paid; and
- 4) Whether the payments will be decreased or increased from the agreed fee schedule and the reason for the difference.

The health benefit plan's predetermination response must comply with HIPAA standards and be returned using the same transmission method as the submission. This includes a real time response for a real time request.

This legislation also applies to a health care clearinghouse that contracts with health care providers to conduct transaction pursuant to subsection 5, 6 and 7 if required by the health care provider.

Section 376.1475.9 is revised relative to the preclusion of the collection of payment prior receiving services once the health benefit plan has fulfilled the predetermination request. Language is also added to exclude supplemental insurance policies.

Section B states the effective date of July 1, 2018.

The provisions of this bill do not pertain to health care services provided under Chapter 208, RSMo, nor do they pertain to health plans that provide services to members of MO HealthNet Managed Care plans.

Currently, the MO HealthNet Managed Care health plans have prior authorization systems that may or may not be integrated with their claims systems. These systems sometimes have a view to the claims system, but do not drill down to the provider level to see the specific contracted rate for specific services. The health plans subcontract with other benefit managers for services such as dental, behavioral health, and radiology. These systems also do not have this specificity of information. To comply with this legislation, the health plans would need to integrate their

ASSUMPTION (continued)

systems with the systems of these subcontractors. Not all of the information required in this legislation is in a format that can be readily transferred to a prior authorization transmission. To comply with this legislation, it is assumed the health plans and their subcontractors would need to revise their systems. The cost to do so would be reflected in the health plan cost reports and would impact the capitation rates made to the health plans.

It is assumed that the Managed Care capitation rates would increase \$100,000, and would start in FY2019. MO HealthNet also assumes an actuarial cost to evaluate this program change to the Managed Care capitation rates to be \$50,000, which will be in FY2018, prior to implementation.

It is assumed that in FY2020 and beyond there would be a 3% inflation rate.

FY2017: TOTAL: \$0  
FY2018: TOTAL: \$50,000 (GR \$25,000; Federal Funds (FF) \$25,000);  
FY2019: TOTAL: \$100,000 (GR \$36,772; FF \$63,228); and,  
FY2022: TOTAL: \$109,273 (GR \$40,182; FF \$69,091).

Total Estimated Impact:

**FY2017: TOTAL: \$0**  
**FY2018: TOTAL: \$50,000; (GR \$25,000; FF \$25,000);**  
**FY2019: TOTAL: \$100,000; (GR \$36,772; FF \$63,228); and,**  
**FY22: TOTAL: \$4,008,673; (GR: \$1,474,069; FF: \$2,534,604)**

Officials from the **Washington County Memorial (WCM) Hospital** state this bill would result in additional costs for health care providers to track and report the requirements of the bill. It is anticipated the annual costs to comply with the bill for WCM Hospital would be approximately \$30,000 - \$40,000.

Officials from the **Cass Regional Medical Center (CRMC)** state, based on the language to provide cost estimates and then contact insurance companies to find out what might be paid by them, as well as the requirement to estimate copayments, deductibles, etc., CRMC estimates it will require additional manpower estimated to be three (3) to five (5) FTE. Assuming an average cost of \$20 per hour plus 20% for fringe benefits, CRMC estimates an annual cost to comply of \$150,000 to \$250,000 annually

ASSUMPTION (continued)

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

**Oversight** assumes this is the materiality threshold for the UM Health Care and that any costs incurred by UM can be absorbed within current resource levels.

In response to the previous version of this proposal, officials from the **Hermann Area District Hospital** assumed this proposal would cost approximately \$10,000 annually based on doing quarterly work.

**Oversight** notes there are approximately 150 hospitals within the state of Missouri. Approximately 30 hospitals are district or county/city/community hospitals. If each of these 30 hospitals anticipated \$10,000 in additional costs to comply with the provisions of the bill, the total local government fiscal impact would be greater than \$300,000 annually. Therefore, Oversight will present Local Government costs as unknown greater than \$300,000 annually since at least some hospitals' costs will exceed \$10,000 annually.

Officials from the **Joint Committee on Administrative Rules** assume the proposal would not fiscally impact their agency.

Officials from the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Missouri Consolidated Health Care Plan**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation** and the **Office of Secretary of State** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Public Safety, Missouri State Highway Patrol** defer to the Missouri Department of Transportation (MoDOT), Employee Benefits Section for response on behalf of the Highway Patrol. Please see MoDOT's fiscal note response for the potential fiscal impact of this proposal.

In response to the previous version of this proposal, officials from the **Office of Secretary of State** assumed the proposal would not fiscally impact their agency.

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

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2022)
<b>GENERAL REVENUE FUND</b> (§§197.170)				
<u>Costs - DSS</u>				
Actuarial study	\$0	(\$25,000)	\$0	\$0
Increase in program distributions to managed care organizations	\$0	\$0	(\$36,772)	(\$40,182)
Increase in hospital reimbursements	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,433,887)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(\$25,000)</u></b>	<b><u>(\$36,772)</u></b>	<b><u>(\$1,474,069)</u></b>
<b>FEDERAL FUNDS</b> (§§197.170)				
<u>Income - DSS</u>				
Increase in program reimbursements	\$0	\$25,000	\$63,228	\$2,534,604
<u>Costs - DSS</u>				
Actuarial study		(\$25,000)	\$0	\$0
Increase in program distributions to managed care organizations	\$0	\$0	(\$63,228)	(\$69,091)
Increase in program expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$2,465,513)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2022)
<b>LOCAL GOVERNMENTS - COUNTY HOSPITALS</b>				
<u>Income - County Hospitals</u>				
Increase in reimbursements	\$0	\$0	\$0	Unknown
<u>Costs - County Hospitals</u>				
Increase in operating costs	<u>(Greater than \$300,000)</u>	<u>(Greater than \$300,000)</u>	<u>(Greater than \$300,000)</u>	<u>(Greater than \$300,000)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - COUNTY HOSPITALS</b>				
	<u>(Greater than \$300,000)</u>	<u>(Greater than \$300,000)</u>	<u>(Greater than \$300,000)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal will directly impact small business health care providers as they will have to make available on their internet website the most current price information for their top twenty-five most frequently reported health care services or procedures.

FISCAL DESCRIPTION

This bill establishes the Health Care Cost Reduction and Transparency Act that requires each health care provider licensed in Missouri to make available to the public and on its Internet website the most current price information required under these provisions in a manner that is easily understood by the public.

Beginning January 1, 2017, and quarterly thereafter, each health care provider licensed in Missouri must provide the amount that will be charged to a patient for each health care service or procedure if all charges are paid in full without a public or private third party paying for any



FISCAL DESCRIPTION (continued)

portion of the charges for the 25 most frequently reported health care services or procedures. A health care provider or facility must not be required to report the information required by these provisions if the reporting of that information reasonably could lead to the identification of the person or persons admitted to the hospital in violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

Beginning January 1, 2017, and quarterly thereafter, the bill requires hospitals, ambulatory surgical centers, and imaging centers to make available to the public information on the total cost of the 25 most common surgical procedures and the 20 most common imaging procedures, by volume, performed in hospital or outpatient settings or in ambulatory surgical centers or imaging centers including the related current procedural terminology and health care common procedure coding system codes. The bill requires hospitals, ambulatory surgical centers, and imaging centers to report specified information as delineated in the bill.

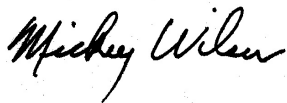
Upon request of a patient for the cost of a particular health care service or procedure, imaging procedure, or surgery procedure reported under these provisions, a health care provider or facility must provide the information to the patient in writing, either electronically or by mail, within three business days after receiving the request. Posting of such charges on the health care provider's or facility's website must constitute compliance with these provisions.

Beginning July 1, 2018, all hospitals, ambulatory surgical centers, and imaging centers to make available to the public an estimate of the most current direct payment price information for the 25 most common surgical procedures or 20 most common imaging procedures, as appropriate, performed in such facilities. Upon written request of a patient for the direct payment cost of a particular health care service or procedure, imaging procedure, or surgery procedure, a provider or facility must provide an estimate of the direct payment price information in writing within five business days upon receipt of the request and permits a specific link to such estimated prices and making such estimated prices publicly available must constitute compliance with this requirement. There is an exception to the provisions of the bill for emergency departments that are required to comply with the Emergency Medical Treatment and Active Labor Act. It is a condition of participation in the MO HealthNet Program for health care providers located in Kansas border counties to comply with the provisions of the bill. If a health care provider located in a Kansas border county does not comply with the provisions of the bill, no health care provider located in a Missouri border county must comply with the provisions of the bill.

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 Insurance, Financial Institutions  
and Professional Registration  
Department of Mental Health  
Department of Public Safety -  
Missouri State Highway Patrol  
Department of Social Services -  
MO HealthNet Division  
Joint Committee on Administrative Rules  
Missouri Consolidated Health Care Plan  
Missouri Department of Conservation  
Missouri Department of Transportation  
Office of Secretary of State  
University of Missouri Health Care System  
Cass Regional Medical Center  
Hermann Area District Hospital  
Washington County Memorial Hospital



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