

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5112-03
Bill No.: HCS for HB 2326
Subject: Health Care; Health Care Professionals
Type: Original
Date: February 26, 2020

Bill Summary: This proposal adds provisions relating to non-compete agreements for health care professionals.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

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 2021	FY 2022	FY 2023
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Labor and Industrial Relations, Office of State Courts Administrator, Department of Health and Senior Services, Missouri Department of Transportation, Office of State Courts Administrator, Department of Conservation, Department of Corrections, and Office of Administration**, each assume the proposal will have no fiscal impact to their respective organizations.

Oversight notes above agencies each have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for those agencies.

Officials from **Golden Valley Memorial Healthcare (GVHM)** state GVMH is a rural facility that provides services to a large geographic area. Their rural location imposes significant recruitment challenges as they strive to recruit and retain physicians and other medical personnel to meet the health care needs of the communities they serve. It is their practice to incorporate non-compete agreements into physician contracts and in the contracts for other hard-to-find medical personnel. The non-compete agreement helps to assure that they recoup some of the costs associated with the search and recruitment process. All hospitals are competing to attract the same nucleus of physicians and providers. In GVMH's case, they utilize recruitment and placement services that charge a retained search fee. Their average cost for each physician they recruit is close to \$100,000 per physician.

If they were not able to impose a mutually agreeable non-compete, they would be at risk of those providers changing employment prior to GVHM receiving a return on the investment they make in the recruitment process. There is also tangible value in the "book of business" providers and other medical personnel create. In their case, the hospital covers the cost of marketing the services and covering the cost of infrastructure to support those services. For example, GVMH recently hired a Psychiatrist to provide service to the community. The cost of adding the service was more than \$500,000 in capital improvements to build out space to provide the service. Without a non-compete, GVMH would not be in a position to protect its investment in the service.

GVHM assumes that if non-competes become forbidden, it will increase risk for rural facilities to invest in services in already under-served areas.

ASSUMPTION (continued)

Officials from **Springfield Police Department, Saint Louis County Police Department, Wellsville - Middletown R 1 School, Shell Knob School, Saint Louis Community College,** and **Saint Louis County Department of Public Health** each assume the proposal will have no fiscal impact to their respective organizations.

Oversight notes the GVMH organization assumes the proposal will have negative fiscal impact to the investment and future recruitment process. Oversight is unable to determine how many health care professionals, or their employers the proposal will impact, or the amount of the loss due to the recruitment practices for health care organizations within the state. Therefore, Oversight will reflect a potential unknown loss to health care organizations on the fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other health departments, nursing homes hospitals and other political subdivisions were requested to respond to this proposed legislation but did not.

Oversight notes some health care organizations (hospitals, nursing homes, etc.) are considered local political subdivisions.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2021 (10 Mo.)	 FY 2022	 FY 2023
LOCAL POLITICAL SUBDIVISIONS - HEALTH CARE ORGANIZATIONS			
<u>Loss</u> - prohibits requirement of non- compete agreement	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS - HEALTH CARE ORGANIZATIONS	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses in the medical field could be impacted by this proposal.

FISCAL DESCRIPTION

This bill prohibits an employer from requiring a health care professional employee to sign a noncompete agreement.

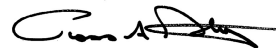
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Office of Administration
Office of State Courts Administrator
Department of Health and Senior Services
Missouri Department of Conservation
Department of Corrections
Missouri Department of Transportation
Golden Valley Memorial Healthcare
Springfield Police Department
St. Louis Community College
St. Louis County Department of Public Health
Wellsville - Middletown R 1 School
Shell Knob School



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