

Fiscal Estimate Narratives

DHS 2/11/2014

LRB Number	13-4140/1	Introduction Number	SB-560	Estimate Type	Original
Description Regulation of hospitals, granting rule-making authority, and requiring the exercise of rule-making authority					

Assumptions Used in Arriving at Fiscal Estimate

2013 SB 560 modifies state regulation of hospitals by adopting the federal Medicare Conditions of Participation (CoP) as the minimum regulatory standard for the construction, maintenance, and operation of hospitals in Wisconsin, beginning July 1, 2016. Currently, hospitals in Wisconsin that receive Medicaid and Medicare reimbursement are subject to a dual federal and state regulatory framework. This bill would establish the CoP as the standard for state approval of a hospital to operate. In addition, this bill allows DHS to promulgate additional regulations in areas not addressed in the CoP.

The Department's costs to conduct hospital inspections (called surveys), complaint investigations, and other regulatory activities are supported with federal Medicare and Medicaid funds plus state funds. Under current federal Medicare policy, hospital survey costs are allocated to each benefiting program to determine the payable amount for the program or activity. For example, if a Medicare survey covers 100 standards and the state adopts all of these standards, Medicare would pay 50 percent of the survey costs. The state pays the other 50 percent because it is benefiting equally. Medicare covers 100 percent of survey costs of any Medicare only standards while the state bears 100 percent of any non-Medicare standards.

Currently, Wisconsin's cost share is approximately 85 percent federal and 15 percent state. Under this bill, the Department expects that costs will shift from Medicare to state GPR. By adopting the CoP as the minimum standard for state approval for a hospital, the federal share of regulation would decrease and the cost to the state would increase. It is difficult to predict the federal/state regulatory ratio that would exist following implementation of the bill. Although the total workload will not change, workload costs historically reimbursed by Medicare would shift to the state. The Department estimates that the state could lose approximately \$330,200 in federal Medicare funding, which is equivalent to approximately 2.15 FTE of direct workload plus program support, clerical and supervisory staff. This estimate is based on an average of workload and costs from federal FY 2010-2014.

Under current law, both the Department of Safety and Professional Services (DSPS) and DHS promulgate and adopt rules and standards for the construction of hospitals. This bill retains these provisions so long as they are compatible with any building costs or construction standards required by the CoPs. DHS also conducts plan reviews of all capital construction and remodeling projects of hospitals to ensure that they comply with building code and physical plant requirements. DHS may set fees by rule, provided that they are not higher than specified amounts. This bill eliminates the restriction on these amounts.

This bill repeals Chapter 124 of the Wisconsin Administrative Code in its current form and directs the Department to recreate the chapter to address issues not covered by the CoP. Since plan review fees are set in this administrative rule this estimate assumes that the Department will initiate an emergency rule so that it may continue collecting fees and performing plan reviews of hospitals during this time. The Department anticipates that the new rule will also regulate subjects not contained in the CoP standards such as the Life Safety Code for buildings, critical access hospitals, satellite emergency rooms and maternity care standards. These state only standards will increase the state share of regulation and potentially increase the state share of costs.

In conclusion, by adopting the federal CoP standard as the minimum regulatory standard for the construction, maintenance, and operation of hospitals in Wisconsin, the federal share of regulation may decrease and the state share of the cost may increase.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 13-4140/1		Introduction Number SB-560	
Description Regulation of hospitals, granting rule-making authority, and requiring the exercise of rule-making authority			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$330,200		\$-330,200
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$330,200		\$-330,200
B. State Costs by Source of Funds			
GPR	330,200		
FED			-330,200
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$0		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	Date
DHS/ Darlene Sliwa (608) 266-8155		Andy Forsaith (608) 266-7684	2/11/2014