

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2013

Legislative Fiscal Note

BILL NUMBER: Senate Bill 473 (Second Edition)

SHORT TITLE: HealthCare Cost Reduction & Transparency.

SPONSOR(S): Senators Rucho and Brown

| FISCAL IMPACT | | | | | |
|--|---|--------------|--------------|--------------|--------------|
| (\$ in millions) | | | | | |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available | | | | | |
| | FY 2013-14 | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 |
| State Impact | | | | | |
| General Fund Revenues: | | | | | |
| General Fund Expenditures: | | | | | |
| Special Fund Revenues: | | | | | |
| Special Fund Expenditures: | | | | | |
| State Positions: | | | | | |
| NET STATE IMPACT | Impact in Other Funds; See Assumptions and Methodology | | | | |
| Local Impact | | | | | |
| Revenues: | | | | | |
| Expenditures: | | | | | |
| NET LOCAL IMPACT | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| <p>PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: The University of North Carolina Health Care System; East Carolina University Medical Faculty Practice Plan</p> <p>EFFECTIVE DATE January 1, 2014</p> <p>TECHNICAL CONSIDERATIONS: None</p> | | | | | |

BILL SUMMARY:

Section 4 enacts G.S. 131E-91.1, which requires each hospital licensed under Article 5 of G.S. 131E to provide to the NC Health Information Exchange, annually beginning on January 1, 2014, specific information regarding costs, payments, and reimbursements for the hospital's 50 most common episodes of care. Section 4 also requires hospitals to provide this information in writing to any patient requesting it within 24 hours after receiving the request.

Section 10 amends the definition of “state agency” found in G.S. 105A-2(9). G.S. 105A, The Set-off Debt Collection Act, requires State agencies to satisfy debts of more than \$50 owed to them by individuals and corporations by garnishing state income tax returns and lottery winnings. Section 10 of this bill specifies that the following not be considered state agencies for the purposes of the act:

- Any school of medicine, clinical program, facility, or practice affiliated with one of the constituent institutions of The University of North Carolina that provides medical care to the general public; and
- The University of North Carolina Health Care System and other persons or entities affiliated with or under the control of The University of North Carolina Health Care System.

ASSUMPTIONS AND METHODOLOGY:

The University of North Carolina

Section 4:

Section 4 requires each hospital to calculate and make public certain information about the hospital’s 50 most common episodes of care. Although this requirement will have a financial impact on the hospitals affiliated with the University of North Carolina, no cost estimate is available at this time.

Section 10:

By redefining “State agency” as it applies to the Set-off Debt Collection Act (SODCA), this bill limits the debt collections methods available to the ECU Medical Faculty Practice Plan (ECU) and the healthcare entities affiliated with The University of North Carolina.

Both entities have charity care policies to help minimize the financial impact on patients with a limited ability to pay; these policies significantly reduce the amount of debt that would otherwise be subject to SODCA.¹ For debt not relieved by these policies, both the UNC Health Care System (UNC) and the ECU Medical Faculty Practice Plan (ECU) use their authority under SODCA to

¹ Both ECU and UNC have adopted charity care policies to provide relief to patients with incomes at or below 250% of the federal poverty level. Both programs have detailed policies, but generally:

- Under UNC’s policy, patients pay co-payments of at least \$25 per primary care clinic visit, \$35 per specialist clinic visit, \$50 per Emergency Department visit and \$100 per admission.
- Under ECU’s policy, patients pay co-payments of \$50 per primary care visit; \$30 per specialty visit and \$50 per Emergency Department visit.

Additionally, UNC’s Community Care discount program grants a 35% discount on physician and hospital charges to any uninsured patient, and its Catastrophic Care Program allows eligible patients who do not qualify for charity care and who have incurred significant hospital and physician costs to have their medical debt reduced to 20% of their yearly income.

garnish tax refunds and lottery winnings of patients who have not made a debt payment in over 120 days old and who are not on a payment plan. By restricting these debt collection practices, the bill would reduce the amount of revenue that UNC and ECU collect on past due accounts. Table 1 shows the revenue that the entities collected over the past five fiscal years under SODCA.

Table 1: UNC and ECU SODCA Collections, FY07- FY12

| Fiscal Year | UNC | ECU | Total |
|--------------------|------------|------------|-------------------|
| 2007-08 | 4,802,386 | 3,350,558 | 8,152,944 |
| 2008-09 | 5,202,743 | 4,175,267 | 9,378,010 |
| 2009-10 | 5,603,584 | 3,941,139 | 9,544,723 |
| 2010-11 | 7,030,181 | 5,388,962 | 12,419,143 |
| 2011-12 | 7,314,496 | 5,312,570 | 12,627,066 |
| 2012-13 Est. | 7,314,496 | 5,500,000 | 12,814,496 |

To estimate the bill’s impact over the next five fiscal years, the FY 2011-12 total SODCA collection was grown using the medical services inflationary growth rates as projected by Moody’s Economy.com. Table 2 shows these estimates; because expenditures and revenues for UNC and ECU are recorded outside of the General Fund, there is no General Fund impact.

Table 2. Projected Revenue Lost by UNC and ECU

| Fiscal Year | Growth Rate | UNC | ECU | Total |
|--------------------|--------------------|------------|------------|-------------------|
| 2013-14 | 4.28% | 7,627,556 | 5,735,400 | 13,362,956 |
| 2014-15 | 4.11% | 7,941,049 | 5,971,125 | 13,912,174 |
| 2015-16 | 4.11% | 8,267,426 | 6,216,538 | 14,483,964 |
| 2016-17 | 4.14% | 8,609,697 | 6,473,903 | 15,083,600 |
| 2017-18 | 4.08% | 8,960,973 | 6,738,038 | 15,699,011 |

State Health Plan for Teachers and State Employees, Department of State Treasurer

This bill has no impact on the State Health Plan for Teachers and State Employees.

Department of Health and Human Services

It is unknown if and how much this bill would impact the Department of Health and Human Services.

SOURCES OF DATA: State Health Plan for Teachers and State Employees, Department of State Treasurer”; UNC Health Care System; East Carolina University; Moody’s Economy.com.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Denise Harb Canada

APPROVED BY: Mark Trogdon, Director
Fiscal Research Division

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