

# Fiscal Note & Local Impact Statement

125<sup>th</sup> General Assembly of Ohio

Ohio Legislative Service Commission  
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BILL: **Sub. H.B. 331** DATE: **December 8, 2004**

STATUS: **As Enacted – Effective December 21, 2004** SPONSOR: **Rep. Schmidt**  
**(Certain sections effective March 22, 2005)**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

CONTENTS: **Would raise the cap on the amount of benefits health care plans must provide for the expense of screening mammographies, provide for annual adjustment of this cap, modify existing limits on the fees a medical provider may charge for providing copies of medical records, and extend the applicability of those limits until December 31, 2008**

## State Fiscal Highlights

STATE FUND	FY 2005	FY 2006	FUTURE YEARS
<b>General Revenue Fund (GRF), other state funds</b>			
Revenues	Potential minimal loss	Potential minimal loss	Potential minimal loss
Expenditures	Increase up to approximately \$95,000	Increase up to approximately \$462,000	Increase up to approximately \$548,000, with amount growing at a comparable rate over time

Note: The state fiscal year is July through June 30. For example, FY 2005 is July 1, 2004 – June 30, 2005.

- State would incur an increase in costs of providing health benefits to eligible employees and dependents. Approximately half of the state payroll is paid from the GRF, meaning that GRF expenditures would increase by up to approximately half of the amounts shown in the table.
- Publicly owned medical care providers may have a minimal loss of revenue from fees charged to provide medical records. Hospitals operated by the Department of Mental Health are exempt from this provision of the bill, and this provision would not affect the Department of Mental Retardation and Developmental Disabilities in practice. Any potential revenue loss due to this provision is expected to be minimal.

## Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2005	FY 2006	FUTURE YEARS
<b>Counties, municipalities, townships</b>			
Revenues	Potential minimal loss	Potential minimal loss	Potential minimal loss
Expenditures	Increase up to \$1.3 million	Increase up to \$2.2 million	Increase up to \$2.6 million, with the amount growing at a comparable rate over time

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.



- Counties, municipalities, and townships would incur an increase in the costs of providing health benefits to employees and dependents. The increase may be up to \$1.3 million in the first year, followed by an increase of \$2.2 million in the second year, and of \$2.6 million in the third year. The expenditure increase would grow at a comparable rate over time.
- Publicly owned medical care providers may have a minimal loss of revenue from fees charged to provide medical records. This provision may have an effect on revenue to local health clinics. LSC has no data with which to quantify the potential loss of revenue, but LSC staff expects any potential revenue loss due to this provision to be minimal.

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## ***Detailed Fiscal Analysis***

Under current law, all health insurance policies, plans offered by health insuring corporations, and public employee health benefit plans must offer coverage for screening mammographies for women whose age is within specified ranges. Current law caps the amount that may be paid for this benefit at \$85 per test. H.B. 331 would increase the amount of the cap to 130% of the Medicare reimbursement rate for screening mammographies in Ohio.

The bill would also modify existing limits on the amount that medical providers may charge for providing copies of medical records. Under current law the limits will expire on December 31, 2004. The bill pushes back the expiration date to December 31, 2008. The existing limits for providing copies of data recorded on paper are generally increased by less than 3% under the bill.

### **Fiscal Effect**

#### **Screening mammographies**

The state would incur costs associated with providing health benefits for state employees and their dependents. As of May 2004, an official with the Department of Administrative Services reports that 53,306 state employees are eligible for health benefits. Data on members of the Ohio Public Employees Retirement System (OPERS) indicate that 59.3% of female members that are state employees are between the ages of 40 and 64. If half of state employees are female, then approximately 15,811 state employees would be females between the ages of 40 and 64. A similar calculation using similar assumptions yields an estimate that approximately 7,482 of those employees are between the ages of 50 and 64.

The current Medicare reimbursement rate for this procedure in Ohio is \$81.57. An official with the Centers for Medicare and Medicaid Services reports that this rate will rise to \$82.13 effective January 1, 2005. The bill would increase the cost of benefits provided to 130% of the Medicare reimbursement rate, which will presumably grow over time. The bill would require insurers to increase reimbursement rates by \$21.77 in calendar year 2005 ( $\$21.77 = \$82.13 \times 1.3 - \$85$ ). The medical care component of the Consumer Price Index for All Urban Consumers increased by an average of

4.4% per year for the five years ending April 2004.<sup>1</sup> Using a 4.4% growth rate to project the benefit cap forward yields estimated increases to the cap of \$26.47 in 2006, \$31.37 in 2007, and \$36.49 in 2008. The increased benefit would need to be provided annually to females over the age of 50 and to those between the ages of 40 and 50 who a licensed physician determines to have risk factors for breast cancer. For other female beneficiaries between the ages of 40 and 50, the increased benefit must be paid once every two years.

Using these estimates of the number of eligible state employees and of the increases in benefit caps, the cost to all funds of providing screening mammographies to eligible employees would be approximately \$254,000 in calendar year 2005 assuming the higher caps were in effect for the full year. The total cost would be significantly higher than this as there may be female dependents covered as spouses of male employees. Legislative Service Commission staff does not expect the cost to exceed \$380,000 in the first year allowing for the cost of benefits to dependents. Assuming the bill were effective April 1, 2005, this would work out to an expenditure increase up to \$95,000 in FY 2005. The corresponding estimates for FYs 2006 and 2007 are \$462,000 and \$548,000. Approximately half of these costs would be paid out of the GRF, with the remainder being paid out of other state funds.

Similarly, counties, municipalities, and townships would incur costs associated with providing health benefits to their employees. As shown above, the bill would increase the benefits provided to female beneficiaries who are aged 40 to 65 by \$21.77 in calendar year 2005. An official with OPERS reports that their records show 38,131 female employees in the local government division between the ages of 40 and 49 (inclusive) as of December 31, 2002, and 35,734 between the ages of 50 and 64. Assuming that half of those aged 40 to 49 get a screening mammography each year then based on these counts, the potential cost to local governments could be up to \$1.2 million or more in the first year the bill's provisions were in effect ( $\$1.2 \text{ million} = \$21.77 \times 54,800$ ). Allowing for female beneficiaries to be covered as spouses of male employees or as employees under other retirement systems, LSC staff does not expect the potential cost would exceed \$1.8 million. Assuming the bill were effective around April 1, 2005, the cost would be up to \$1.3 million in FY 2005.

In the second year of operation, the potential cost to local governments would increase as the Medicare reimbursement rate increases. Using the 4.4% growth rate developed above to project the benefit cap forward yields estimated increases to the cap of \$26.47 in year two, and \$31.37 in year three. Thus the potential cost increase in the second year would increase to approximately \$2.2 million ( $\$2.2 \text{ million} = \$26.47 \times 54,800 \times 1.5$ ). The potential cost increase in the third year is estimated to be \$2.6 million, with the expenditure increase growing at a similar rate over time in future years.

### **Caps on fees for providing copies of medical records**

Existing section 3701.741 of the Revised Code provides that certain medical providers and medical records companies must not charge more than specified amounts for copies of medical records (until the section expires on December 31, 2004). The table below specifies the current caps and the caps specified in the bill.

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<sup>1</sup> This inflation rate has not accelerated in more recent years. The average growth rate in the two years ending April 2004 is also 4.4%.

<b>Description</b>	<b>Current cap</b>	<b>Proposed cap</b>
Original recorded on paper		
Initial fee	\$15.00	\$15.35
Pages 1 through 10	\$1.00 per page	\$1.02 per page
Pages 11 through 50	\$0.50 per page	\$0.51 per page
Pages 51 and higher	\$0.20 per page	\$0.20 per page
Original recorded on medium other than paper	Actual cost	\$1.70 per page

When a copy is provided for the patient or the patient’s personal representative, the bill does not permit the \$15.35 initial fee to be charged, but permits the fee for the first ten pages to be up to \$2.50 per page.

Because the current caps would expire without legislative action, the bill would reduce the potential revenue to medical providers and medical records companies subject to this section of the Revised Code. In some cases, the medical providers affected may be state or local government agencies. This provision of the bill would apply, for example, to the Department of Mental Retardation and Developmental Disabilities (DMR) when it provides medical records for residents of state developmental centers. A DMR official reports that the fees the department currently imposes for copying medical records are \$0.05 per page for copies of documents over 100 pages long, and that copies of shorter documents are provided at no charge. Because these fees are significantly less than the existing limit, the bill would not affect revenues to DMR under its current practice. Hospitals administered by the Department of Mental Health (DMH) are exempt from the bill’s provisions. The bill has the potential to reduce revenues to state agencies other than DMR and DMH, and to reduce revenues to local governments that operate local public health clinics. LSC staff expects any such potential revenue loss to state agencies to be minimal. LSC staff does not have data with which to estimate the potential revenue loss to local governments, but expects any such loss to be minimal.

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