

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5096-01
Bill No.: SB 1007
Subject: Department of Social Services; Department of Health and Senior Services;
 Medicaid; Disabilities; Public Assistance
Type: Original
Date: March 29, 2010

Bill Summary: This legislation amends various requirements for public assistance programs administered by the state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	Unknown but Greater than \$10,957,905	Unknown but Greater than \$11,363,347	Unknown but Greater than \$11,783,791
Total Estimated Net Effect on General Revenue Fund	Unknown but Greater than \$10,957,905	Unknown but Greater than \$11,363,347	Unknown but Greater than \$11,783,791

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and expenses would net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Sections 208.010, 208.166, 208.909, 208.918 & 660.023:

Officials from the **Office of Administration-Administrative Hearing Commission** assume the proposal would have no fiscal impact on their agency.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Mental Health (DMH)** states there appears to be nothing in this legislation that creates obligations or requirements for the DMH that would result in a fiscal impact.

Officials from the **Department of Health and Senior Services** state all Medicaid related cost avoidances are calculated at the blended FY 2011 Federal Medical Assistance Percentage (FMAP) rate of 63.595 percent. This rate was utilized in projections for all years.

Telephony is a form of electronic verification system, as recommended by the Lewin Group to the Department of Social Services (<http://www.dss.mo.gov/mhd/oversight/pdf/longterm-care2010jan07.pdf>, page 20). When used in other states, telephony has resulted in more accurate billing and cost savings of up to five percent. With this proposal, all vendors and providers of home and community based services must have a telephony based system on July 1, 2011 (for vendors and providers with more than

ASSUMPTION (continued)

150 participants), and on July 1, 2012 (for vendors and providers with 150 or fewer participants). Due to the staggered implementation date, DSDS assumes savings in FY 2011 of \$0 - \$1,000,000, savings in FY 2012 of \$0 - \$2,000,000, and up to five percent of all HCBS costs in FY 2013. Assuming HCBS costs in FY 2013 of approximately \$500,000,000, this will result in a cost avoidance of < \$25,000,000.

The remaining sections of the bill will have no impact on DHSS.

Total Net Fiscal Impact:

FY 2011	GR: \$0 to \$364,050	FED: \$0 to \$635,950	TOTAL:\$1,000,000
FY 2012	GR: \$0 to \$728,100	FED: \$0 to \$1,271,900	TOTAL:\$2,000,000
FY 2013	GR: \$0 to \$9,101,250	FED: \$0 to \$15,898,750	TOTAL:\$25,000,000

Officials from the **Department of Social Services-MO HealthNet Division (MHD)** state the following:

Section 208.010.10.: Currently MHD is required to reimburse full payment of Medicare Part B coinsurance and deductibles for dual eligibles. 1902(n)(2) of the SSA provides that a state is not required to provide payment to the extent that the payment under Medicare would exceed the payment amount under Medicaid. The proposed legislation will allow the MHD to re-price Part B outpatient crossover claims to no more than the MHD fee schedule amount.

A sample of the Part B outpatient crossover claims was taken and 26% of the sample could be re-priced to the MHD fee schedule. Based on this sample, it is estimated MHD could save \$21.9 million. (Outpatient crossover payments multiplied by 26%.)

Cost Savings for re-price of Part B Hospital Outpatient claims: FY11 \$21,900,000, FY12 \$22,710,300 and FY13 \$23,550,581. A 3.7% trend was added for FY12 & FY13.

Section 208.166.3.(8): Allows managed care plans to limit payments to out-of-network providers to 95% of the medical assistance rate for medical assistance enrollees paid by MHD to enrolled fee-for-service providers.

It is unknown the fiscal impact this would have on all out-of-network claims. However, the impact on hospital providers has been calculated.

Currently out-of-network payments to hospitals are often well above the MHD fee-for-service payment levels; the managed care plans and providers must negotiate a mutually acceptable

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ASSUMPTION (continued)

payment for each out-of-network claim. This section will prevent excess payments made by managed care plans and should lead to reduced capitation rates.

Cost Savings for ceiling for out-of-network provider payments made by MCO: FY11 Unknown > \$8,200,000, FY12 Unknown > \$8,503,400 and FY13 Unknown > \$8,818,026. A 3.7% trend was added for FY12 & FY13.

The proposed legislation has other changes to section 208. However the funding for these services is not included in the MDH budget. It is assumed the DHSS will include the fiscal impact to these changes in their response.

Total cost savings is: FY11 Unknown > \$30,100,000 (\$10,957,905 GR); FY12 Unknown > \$31,213,700 (\$11,363,347 GR) and FY13 Unknown > \$32,368,607 (\$11,783,791 GR).

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Savings - Department of Health and Senior Services</u>			
Program Savings	\$0 to \$364,050	\$0 to \$728,100	\$0 to \$9,101,250
<u>Savings - Department of Social Services</u>			
Program Savings	<u>Unknown but Greater than \$10,957,905</u>	<u>Unknown but Greater than \$11,363,347</u>	<u>Unknown but Greater than \$11,783,791</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Unknown but Greater than \$10,957,905</u>	<u>Unknown but Greater than \$11,363,347</u>	<u>Unknown but Greater than \$11,783,791</u>

FISCAL IMPACT - State Government FY 2011 FY 2012 FY 2013
 (continued)

FEDERAL FUNDS

Savings - Department of Health and Senior Services

Program Savings	\$0 to \$635,950	\$0 to \$1,271,900	\$0 to \$15,898,750
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Savings - Department of Social Services
 Program Savings

Unknown but Greater than \$19,142,095	Unknown but Greater than \$19,850,353	Unknown but Greater than \$20,584,816
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Costs - Department of Health and Senior Services

Reimburse Federal Assistance	(\$0 to \$635,950)	(\$0 to \$1,271,900)	(\$0 to \$15,898,750)
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Costs - Department of Social Services
 Reimburse Federal Assistance

(Unknown but Greater than \$19,142,095)	(Unknown but Greater than \$19,850,353)	(Unknown but Greater than \$20,584,816)
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**ESTIMATED NET EFFECT ON
 FEDERAL FUNDS**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government FY 2011 FY 2012 FY 2013
 (10 Mo.)

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

This legislation will mandate that in-home services providers and consumer directed services vendors must have a telephonic based billing system.

FISCAL DESCRIPTION

Sections 208.010, 208.166, 208.909, 208.918 & 660.023:

The proposed legislation modifies provisions relating to public assistance programs administered by the state.

Current law requires reimbursement for services provided to an individual who is eligible for MO HealthNet, Medicare Part B, and Supplementary Medical Insurance to include payment in full of deductible and coinsurance amounts as determined by federal Medicare Part B provisions. This legislation exempts MO HealthNet from paying for the Medicare Part B deductible and coinsurance amounts for hospital outpatient services. Section 208.010

This legislation authorizes the Department of Social Services to require prepaid health plans to limit reimbursements to health care providers who are not contracted providers with the plan to 95 percent of the MO HealthNet rate paid to enrolled providers for services to MO HealthNet participants who are not enrolled in a prepaid health plan. Section 208.166

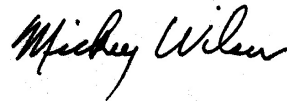
This legislation requires both personal care assistance vendors and in-home services providers to use a telephone tracking system to review and certify the accuracy of reports of delivered services and to ensure more accurate billing. The requirements of the telephone tracking system are specified in the legislation. Vendors and providers with more than 150 consumers must have the system fully operational by July 1, 2011. Vendors and providers with 150 consumers or less must have the system fully operational by July 1, 2012. In order for vendors or provider agencies to obtain an agreement with the Department of Social Services, the vendor or agency must demonstrate the ability to implement the telephone tracking system.

Personal care assistance consumers shall be responsible for approving requests through the telephone tracking system and shall provide the vendor with necessary information to complete the required paperwork for establishing the employer identification number.

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 Mental Health
Department of Health and Senior Services
Department of Social Services
Office of the Secretary of State
Office of Administration-Administrative Hearing Commission



Mickey Wilson, CPA
Director
March 29, 2010