

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4480-01  
Bill No.: HB 1429  
Subject: Health Care Professionals; Medicaid; Physicians  
Type: Original  
Date: March 31, 2004

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**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>                   |                      |                      |                      |
|---|----------------------|----------------------|----------------------|
| FUND AFFECTED   | FY 2005              | FY 2006              | FY 2007              |
| General Revenue   | (\$2,625,064)        | (\$5,423,120)        | (\$8,405,568)        |
|   |                      |                      |                      |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue<br/>Fund</b> | <b>(\$2,625,064)</b> | <b>(\$5,423,120)</b> | <b>(\$8,405,568)</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>                    |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2005    | FY 2006    | FY 2007    |
|   |            |            |            |
|   |            |            |            |
| <b>Total Estimated<br/>Net Effect on <u>All</u><br/>State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                          |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2005</b> | <b>FY 2006</b> | <b>FY 2007</b> |
| Federal*  |                |                |                |
|   |                |                |                |
| <b>Total Estimated<br/>Net Effect on <u>All</u><br/>Federal Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

\*Income and Costs of approximately \$4,000,000 to \$13,000,000 would net to \$0.

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2005</b> | <b>FY 2006</b> | <b>FY 2007</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development - Division of Professional Registration** and the **Department of Mental Health** assume this proposal would not fiscally impact their agencies.

Officials from the **Department of Social Services-Division of Medical Services (DMS)** assume this proposal requires Medicaid reimbursement rates to be increased by 2 percent/year for the next five years.

The fee-for-service (FFS) expenditures paid to physicians, clinics and nurse practitioners for the first six months of FY 04 were annualized and increased by 4.5% to arrive at the estimated FY 05 physician expenditures of \$184,126,118. The FY 05 projection was multiplied by 2% to arrive at the impact on FFS of \$3,682,522. The \$3.7 million was added to the FY 05 projection to arrive at the FY 06 base. The base was then increased by 4.5% to arrive at the estimated FY 06 expenditures. The FY 06 expenditures were multiplied by 2% to arrive at the impact on FFS of \$3,925,201. The methodology was repeated to arrive at the FFS impact for FY 07 of \$4,183,871.

A 4.5% inflation adjustment was made to account for an increase in utilization and caseload growth. The 4.5% is the standard fiscal note inflation rate for medical care.

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ASSUMPTION (continued)

Medicaid services are provided through the FFS program and a managed care program. Rates for services provided by the managed care program would also be increased by 2%. FFS eligibles make up 54.5% of total eligibles and eligibles enrolled in managed care make up the remaining 45.5%. The FY 05 total cost \$6,756,921 of increasing physician rates 2% was found by dividing the FFS impact of \$3,682,522 by 54.5% (FFS share).

The fiscal impact of increasing reimbursement rates by 2% for physician providers is:

|                     | General Revenue | Federal     |
|---------------------|-----------------|-------------|
| FY 05 - \$6,756,921 | \$2,625,064     | \$4,131,857 |
| FY 06 - \$7,202,204 | \$2,798,056     | \$4,404,148 |
| FY 07 - \$7,676,828 | \$2,982,448     | \$4,694,380 |
| FY 08 - \$8,182,730 | \$3,178,991     | \$5,003,739 |
| FY 09 - \$8,721,972 | \$3,388,486     | \$5,333,486 |

**Oversight** assumes the rate increases are cumulative, therefore the fiscal impact to General Revenue will be \$2,625,064 in FY05, \$5,423,120 in FY06, and \$8,405,568 in FY 07.

Officials from the **Office of Attorney General (AGO)** assume that the increase in reimbursement rate will result in an increased number of appeals from physician providers. Based upon information provided to the AGO by the DOS, AGO assumes that because it will be defending the DOS in its reimbursement rates, AGO will need 7 additional Assistant Attorney Generals and 3 Legal Secretaries at a cost of \$344,221 in FY05, \$423,391 in FY06, and \$433,976 in FY07.

**Oversight** assumes AGO will not need additional FTE since this proposal does not provide for appeals.

| <u>FISCAL IMPACT - State Government</u> | FY 2005 | FY 2006 | FY 2007 |
|---|---------|---------|---------|
|---|---------|---------|---------|

**GENERAL REVENUE**

Costs - Department of Social Services -  
 Division of Medical Services

|               |                      |                      |                      |
|---------------|----------------------|----------------------|----------------------|
| Program costs | <u>(\$2,625,064)</u> | <u>(\$5,423,120)</u> | <u>(\$8,405,568)</u> |
|---------------|----------------------|----------------------|----------------------|

**ESTIMATED NET EFFECT TO  
 GENERAL REVENUE**

|                      |                      |                      |
|----------------------|----------------------|----------------------|
| <u>(\$2,625,064)</u> | <u>(\$5,423,120)</u> | <u>(\$8,405,568)</u> |
|----------------------|----------------------|----------------------|

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## **FEDERAL**

### Income - Department of Social Services - Division of Medical Services

|                        |             |             |              |
|------------------------|-------------|-------------|--------------|
| Program reimbursements | \$4,131,857 | \$8,536,005 | \$13,230,385 |
|------------------------|-------------|-------------|--------------|

### Costs - Department of Social Services - Division of Medical Services

|               |               |               |                |
|---------------|---------------|---------------|----------------|
| Program costs | (\$4,131,857) | (\$8,536,005) | (\$13,230,385) |
|---------------|---------------|---------------|----------------|

### **ESTIMATED NET EFFECT TO FEDERAL**

|            |            |            |
|------------|------------|------------|
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
|------------|------------|------------|

### FISCAL IMPACT - Local Government

|         |         |         |
|---------|---------|---------|
| FY 2005 | FY 2006 | FY 2007 |
|---------|---------|---------|

|            |            |            |
|------------|------------|------------|
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
|------------|------------|------------|

### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### DESCRIPTION

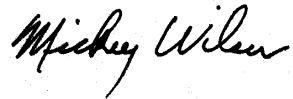
Beginning in Fiscal Year 2005, this proposal requires the Medicaid reimbursement rate for participating physicians to increase 2% each year for the next five years.

The bill contains an emergency clause.

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 Social Services -  
Division of Medical Services  
Department of Mental Health  
Department of Economic Development -  
Division of Professional Registration

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
March 31, 2004