

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1807-01N
Bill No.: HB 728
Subject: Medicaid; Social Services Department; Physicians
Type: Original
Date: February 21, 2007

Bill Summary: This proposal provides enhanced reimbursement for certain services provided by physicians under the state medical assistance program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$32,015,790)	(\$36,439,146)	(\$37,420,317)
Total Estimated Net Effect on General Revenue Fund	(\$32,015,790)	(\$36,439,146)	(\$37,420,317)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and costs of approximately \$52.8M in FY08, \$60.4M in FY09 and \$62.1M in FY10 would net to \$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
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 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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 Social Services (DSS) - Division of Medical Services (DMS)** stated the following:

Section 208.148.2 states that a physician will receive an enhanced reimbursement on certain services if the physician does the following:

1. Become the health care home for a MO HealthNET patient;
2. Complete a patient history and consultation for the patient; and
3. File a treatment plan for the patient.

DMS will contract with an enrollment broker to assist MO HealthNET participants to select a health care home. The cost of an enrollment broker will be \$5 million.

ASSUMPTION (condition)

Once a participant has a health care home, a health risk assessment can be done to identify the probability and early detection of chronic conditions. Through the health risk assessment, participants along with their health care home will identify health behaviors, establish strategies for better health care outcomes and prepare a plan of care focused on wellness and prevention. The cost of an annual health risk assessment for each MO HealthNET participant will be \$32,625,000.

Section 208.148.3 states that physicians who meet these requirements will be reimbursed 120% of the Medicare rate for new patients and 110% of the Medicare rate for established patients.

The fiscal impact to increase office visit rates for new patients to 120% of the Medicare rate will be an annual cost of \$11,157,905 (children/\$7,732,214, adults/\$3,425,691). For FY '08 we assume the cost will be only for 10 months; therefore, the fiscal impact is \$9,294,535. After applying a 4.5% medical inflation factor for each year, the fiscal impact for FY '09 is \$11,660,011 and for FY '10 it is \$12,184,711.

The fiscal impact to increase office visit rates for established patients to 110% of the Medicare rate will be an annual cost of \$45,547,970 (children/\$28,941,442, adults/\$16,606,528). For FY '08 we assume the cost will be only for 10 months; therefore, the fiscal impact is \$37,941,459. After applying a 4.5% medical inflation factor for each year, the fiscal impact for FY '09 is \$47,597,629 and for FY '10 it is \$49,739,522.

The total annual fiscal impact to the Division of Medical Services for this legislation is \$94,330,875 (\$35,500,226 General Revenue/\$58,860,649 Federal).

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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GENERAL REVENUE FUND

<u>Costs - Department of Social Services</u>			
Enrollment Broker	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)
Health Risk Assessment	(\$12,135,339)	(\$12,135,339)	(\$12,135,339)
New Patient 120% Medicare	(\$3,413,377)	(\$4,282,087)	(\$4,474,781)
Established Patient 110% Medicare	<u>(\$13,967,074)</u>	<u>(\$17,521,720)</u>	<u>(\$18,310,197)</u>
<u>Total Costs - DOS</u>	<u>(\$32,015,790)</u>	<u>(\$36,439,146)</u>	<u>(\$37,420,317)</u>

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$32,015,790)</u>	<u>(\$36,439,146)</u>	<u>(\$37,420,317)</u>
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FEDERAL FUNDS

<u>Income - Department of Social Services</u>			
Federal Assistance	(\$52,845,204)	(\$60,443,494)	(\$62,128,916)

<u>Costs - Department of Social Services</u>			
Enrollment Broker	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)
Health Risk Assessment	(\$20,489,661)	(\$20,489,661)	(\$20,489,661)
New Patient 120% Medicare	(\$5,881,158)	(\$7,377,924)	(\$7,709,930)
Established Patient 110% Medicare	<u>(\$23,974,385)</u>	<u>(\$30,075,909)</u>	<u>(\$31,429,325)</u>
<u>Total Costs - DOS</u>	<u>(\$52,845,204)</u>	<u>(\$60,443,494)</u>	<u>(\$62,128,916)</u>

ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

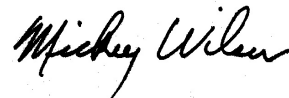
This legislation specifies that under the MO HealthNET Program, the successor to the Missouri Medicaid Program, providers can receive enhanced reimbursement for certain services. The enhanced rate will be 120% of the federal Medicare reimbursement rate for new patients and 110% for established patients. In order to qualify for the enhanced reimbursement, the provider must:

- (1) Become the health care home for a MO HealthNET patient;
- (2) Complete a patient history and consultation for the patient;
and
- (3) File a treatment plan for the patient.

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
Office of the Secretary of State



Mickey Wilson, CPA
Director
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