

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0486-02
Bill No.: HCS for SB 127
Subject: Medicaid; Health Care; Dentists; Public Assistance; Nurses
Type: Original
Date: April 26, 2013

Bill Summary: This proposal changes the laws regarding public assistance benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0 to (\$4,578,064)	\$0 to (\$5,707,931)	\$0 to (\$5,930,540)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$4,578,064)	\$0 to (\$5,707,931)	\$0 to (\$5,930,540)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenditures could exceed \$9 million annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** state under the Administrative Services Only (ASO) model, a single entity would enter into an agreement with the MHD to administer the program. The contractor would be responsible and reimbursed for setting up a network of dental providers, fielding provider and client complaints, providing quality assurance, and handling other administrative work. This arrangement would be a new cost to the MHD. The projected per member, per month (PMPM) cost is \$.54/month.

The count of Medicaid eligible adults and children is 882,417 based on last 3 month average (Sept 2012-Nov 2012).

The MHD assumes the current Medicaid eligibles would receive dental services at the current coverage level - children, pregnant women, blind persons and nursing facility residents will have full coverage and all others have a limited dental package of prescribed medically necessary services.

The annual cost is \$5,718,072 (882,417 eligibles x \$0.54 PMPM x 12 months). Since all eligibles would receive services under this model, the current dental administration for managed care eligibles (\$491,356) has been subtracted to arrive at the additional cost \$5,226,716 (\$5,718,072 - \$491,356).

MHD anticipates a 15% increase in utilization under this proposal. The FY 13 estimated dental payments were multiplied by 15% to arrive at the projected increase of \$8,994,556 (FY 13 estimated dental spend of \$59,963,705 X 15%).

Projected annual cost: $\$5,226,716 + \$8,994,556 = \$14,221,272$.

A 3.9% trend was added for FY 15 and FY 16.

FY 14 (10 months) expenditures: \$11,851,060 (\$4,578,064 General Revenue (GR); \$7,272,996 Federal); FY15: \$14,775,902 (\$5,707,931 GR; 9,067,971 Federal) and FY 16: \$15,352,162 (\$5,930,540 GR; \$9,421,622 Federal).

The cost is shown as a range from zero to the maximum cost because the bill language is permissive.

ASSUMPTION (continued)

The total fiscal impact assumes that all Medicaid recipients (those with a full benefit package as well as those with a limited dental package) would be enrolled in the ASO model. There are 603,431 individuals with a full dental benefit package. If only those with the full package were enrolled in the ASO, the annual cost would be reduced to \$11,701,981*. The three-year cost (with adjustments for 10 months in FY 14 and inflation of 3.9% in FY 15 and FY 16) is shown below:

FY 14 \$9,751,651 (\$3,767,063 GR; \$5,984,588 Federal);
 FY 15 \$12,158,358 (\$4,696,774 GR; \$7,461,584 Federal); and,
 FY 16 \$12,632,534 (\$4,879,948 GR; \$7,752,586 Federal)

*This cost includes the \$.54 PMPM ASO cost and the 15% increased utilization for this group only, along with a reduction for current managed care administration for dental services.

Officials from the **Department of Mental Health (DMH)** state while this legislation allows MO HealthNet to implement a statewide dental delivery system, it does not provide coverage to additional Medicaid participants. If implemented, DMH clients may have more access to dental providers that accept Medicaid. Many of DMH's facilities have a dentist on staff which provides dental care to DMH clients. The DMH does purchase minimal dental services for clients. If these services are received and covered in the proposed legislation, there could be minimal savings for the DMH.

In response to the previous version of this proposal, officials from the **Department of Health and Senior Services** assumed the proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Costs - DSS-MHD</u>			
Potential increase in program expenditures	<u>\$0 to</u> <u>(\$4,578,064)</u>	<u>\$0 to</u> <u>(\$5,707,931)</u>	<u>\$0 to</u> <u>(\$5,930,540)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0 to</u> <u>(\$4,578,064)</u>	<u>\$0 to</u> <u>(\$5,707,931)</u>	<u>\$0 to</u> <u>(\$5,930,540)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
FEDERAL FUNDS			
<u>Income - DSS-MHD</u>			
Potential increase in program reimbursements	\$0 to \$7,272,996	\$0 to \$9,067,971	\$0 to \$9,421,622
<u>Costs - DSS-MHD</u>			
Potential increase in program expenditures	\$0 to <u>(\$7,272,996)</u>	\$0 to <u>(\$9,067,971)</u>	\$0 to <u>(\$9,421,622)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2014 (10 Mo.)	 FY 2015	 FY 2016
	<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.


FISCAL DESCRIPTION

This proposal authorizes the MO HealthNet Division within the Department of Social Services, or a contractor of the division, to implement a statewide dental delivery system to ensure recipient participation and access to providers of dental services under MO HealthNet.

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

A handwritten signature in black ink, appearing to read "Ross Strobe".

Ross Strobe
Acting Director
April 26, 2013