COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6180-01
Bill No.: HB 1972
Subject: Public Assistance; Medicaid; Department of Social Services
Type: Original
Date: March 11, 2014

Bill Summary: This proposal changes the requirements for providing comprehensive health care for public assistance recipients.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	Could be less than $1,870,388	$4,842,012	$5,057,818
Total Estimated Net Effect on General Revenue Fund	**Could be less than $1,870,388**	**$4,842,012**	**$5,057,818**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Other State	$1,620,784	$3,309,642	$3,448,646
Total Estimated Net Effect on Other State Funds	**$1,620,784**	**$3,309,642**	**$3,448,646**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Federal*	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

*** Income, savings, costs and losses exceed $15 million annually and net to $0.**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	4	4	4
Federal	4	4	4
Total Estimated Net Effect on FTE	**8**	**8**	**8**

☐ 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 2015	FY 2016	FY 2017
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** provide section 208.166.2. (2) states that the following shall not be provided by a prepaid health plan: pharmacy benefits; benefits and services provided by a community psychiatric rehabilitation provider or a comprehensive substance abuse treatment and rehabilitation provider; and all benefits and services subject to the clinical upper payment limit.

It is assumed that references to prepaid health plans include Managed Care Organizations. Pharmacy benefits and benefits and services provided by a community psychiatric rehabilitation provider or a comprehensive substance abuse treatment and rehabilitation provider are currently carved out of MO HealthNet Managed Care contracts so the health plans do not pay for these services. However, they are contractually required to coordinate these services with their members and it is assumed that this will not change. Therefore, there would be no fiscal impact.

This legislation would move benefits and services subject to the clinical upper payment limit from the Managed Care Organization into MO HealthNet fee-for-service. This would revise the types of payment methodologies that can be used to reimburse providers; however, it is assumed that the fiscal impact would be neutral. Section 208.166.2. (3) requires prepaid health plans or alternative service delivery entities to provide MO HealthNet with an electronic notice of any authorizations or denials of an initial request of coverage of inpatient admission within twenty-four hours of receiving the request and an electronic copy of all other claims within ten days of both initial submission of the claim and upon payment.

Again, it is assumed that when the legislation refers to prepaid health plans or alternative reimbursement methodologies, that Managed Care Organizations are included in this definition. Current MO HealthNet Managed Care health plans are required to provide encounter claims within thirty (30) days of payment for services and they have up to two years to submit final claims. They are not currently required to provide any encounter data for denials or initial requests for coverage. If health plans were required to provide additional reporting, they may incur an additional administrative cost that would be passed on to MO HealthNet through the administrative portion of the capitated rate. Also, MO HealthNet may incur an additional cost to make system changes and develop processes that would be needed to receive this information. That cost is unknown.

Section 208.166.3.(1) adds accountable care organizations and community mental health centers to the list of groups the department shall have authority to purchase medical services from for recipients of public assistance.

MO HealthNet assumes that there would be no fiscal impact.

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ASSUMPTION (continued)

MO HealthNet assumes that in order to meet the requirements of section 208.166.3.(2)(b), ensuring reasonable access to medical services in all geographic areas of the state, that statewide managed care would need to be implemented. MO HealthNet further assumes that in order to receive Centers for Medicare and Medicaid Services (CMS) approval and go through the bid process, this legislation could not be implemented before January 1, 2015. Therefore, the fiscal impact is based on 6-months in FY15.

MO HealthNet would require an additional eight (8) FTEs to implement Managed Care statewide. This would include: a Social Services Manager II; a Management Analysis Specialist II; a Medicaid Unit Supervisor; a Program Development Specialist; a Correspondence and Information Specialist; and three (3) Medicaid Technicians. MHD assumes that additional rental space would be needed, as there are not eight (8) open cubicles at the Howerton Building. The total cost for staff, fringe and office space for FY15 (10 months) would be $476,102. FY16 costs would be $492,757, and FY17 costs would be $498,187.

If current HMOs are utilized from January 1, 2015 to July 1, 2015, and only new enrollees are sent enrollment packets, the cost for enrollment packets would be $229,000. If there was a statewide rebid and open enrollment for all enrollees, the cost for enrollment packets would be $510,140. If a rebid were required, there will be additional activities that would need to take place and it is unlikely that the rebid process could be successfully implemented before January 1, 2015.

MO HealthNet estimates that there would be an actuarial cost to evaluate the capitation rates in the amount of $100,000.

There would also be a one-time cost for MMIS changes to cover the additional counties and population. The estimated cost for this would be $550,000. This assumes a new region will be created and up to 3 new health plans with be added.

The cost to administer statewide managed care with the current MO HealthNet population would be as follows:

FY15: $476,101 for Salaries, Fringe and E&E (10 months)
$229,000 minimum for enrollment packets
$100,000 for actuarial costs
$550,000 for MMIS costs
Total: $1,355,101

NOTE: Costs could exceed above amount if rebid is necessary ($510,140 packet costs for enrollees plus additional costs associated with rebidding managed care contracts.)

ASSUMPTION (continued)

FY16: $492,757 for Salaries, Fringe and E&E
$229,000 for additional Enrollment Packets
$721,575

FY17: $498,187 for Salaries, Fringe and E&E
$229,000 for additional enrollment packets
$721,187

FY15 (10 mos.)	Unknown> $1,355,101 (GR Unknown >$677,550; Federal > $677,551);
FY16:	Unknown>$721,757 (GR Unknown> $360,878; Federal $360,879);
FY17:	Unknown>$727,187 (GR Unknown> $363,593; Federal $363,594).

Additionally, MO HealthNet assumes that there will be a six-month savings in FY15 of $11,307,059 by moving the current fee-for-service population to Managed Care. For FY16 there will be a savings of $23,403,455 and in FY17 there will be a savings of $24,386,401. Savings will be in Federal, GR and Other Funds, including Federal Reimbursement Allowance, Ambulance Federal Reimbursement Allowance and Health Initiatives Fund.

FY15 (6 months): $11,461,046 (GR $2,547,938; Other Funds $1,620,784; Federal $7,292,324);
FY16: $23,403,457 (GR $5,202,890; Other Funds $3,309,642; Federal $14,890,925);
FY17: $24,386,401 (GR $5,421,411; Other Funds $3,448,646; Federal $15,516,344).

Section 208.166.4. requires MO HealthNet and the Department of Mental Health (DMH) to collaborate on the following: a sub-capitation rate for behavioral health; all requests for proposal language for managed care procurement related to behavioral health benefits; the definition of medical necessity for behavioral health benefits; and protocols to assure the quality of behavioral health services delivered through the capitated managed care plans.

Currently, MO HealthNet and the DMH collaborate on these types of topics, so no fiscal impact is anticipated from this provision.

Officials from the **Department of Mental Health (DMH)** state since DMH services and benefits listed in the proposal are carved out of the health plans, the result would be no fiscal impact. The DMH also assumes there would be no fiscal impact as a result if its collaboration with the Department of Social Services.

Officials from the **Department of Health and Senior Services** and the **Office of Administration - Division of Budget and Planning** each assume the proposal would not fiscally impact their respective agencies.

FISCAL IMPACT - State Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
Savings - DSS-MHD (§208.166)			
Program savings for statewide managed care implementation	$2,547,938	$5,202,890	$5,421,411
Costs - DSS-MHD (§208.166)			
Personal service costs	($125,404)	($152,051)	($153,572)
Fringe benefits	($63,963)	($77,554)	($78,329)
Equipment and expense	($48,683)	($16,773)	($17,192)
Packets, Actuarial and MMIS	(Could exceed $439,500)	($114,500)	($114,500)
Total Costs - DSS-MHD	(Could exceed $677,550)	($360,878)	($363,593)
FTE Change - DSS-MHD	4 FTE	4 FTE	4 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**Could be less than $1,870,388**	**$4,842,012**	**$5,057,818**
Estimated Net FTE Change on the General Revenue Fund	4 FTE	4 FTE	4 FTE
OTHER STATE FUNDS			
Savings - DSS-MHD (§208.166)			
Program savings for statewide managed care implementation	$1,620,784	$3,309,642	$3,448,646
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	**$1,620,784**	**$3,309,642**	**$3,448,646**

FISCAL IMPACT - State Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
FEDERAL FUNDS			
Income - DSS-MHD (§208.166)			
Increase in program reimbursements	Could exceed $677,550	$360,878	$363,593
Savings - DSS-MHD (§208.166)			
Reduction in program costs due to implementing statewide managed care	$7,292,324	$14,890,925	$15,516,344
Costs - DSS-MHD (§208.166)			
Personal service costs	($125,404)	($152,051)	($153,572)
Fringe benefits	($63,963)	($77,554)	($78,329)
Equipment and expense	($48,683)	($16,773)	($17,192)
Packets, Actuarial and MMIS	(Could exceed $439,500)	($114,500)	($114,500)
Total Costs - DSS-MHD	(Could exceed $677,550)	($360,878)	($363,593)
FTE Change - DSS-MHD	4 FTE	4 FTE	4 FTE
Loss - DSS-MHD (§208.166)			
Reduction in program reimbursements due to implementing statewide managed care	($7,292,324)	($14,890,925)	($15,516,344)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**
Estimated Net FTE Change on Federal Funds	4 FTE	4 FTE	4 FTE

FISCAL IMPACT - Local Government	FY 2015 (10 Mo.)	FY 2016	FY 2017
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small business health care providers may experience increased reimbursement for services provided to Medicaid recipients if they belong to the managed care organization's network of providers.

HWC:LR:OD

FISCAL DESCRIPTION

This proposal changes the laws regarding medical assistance. Currently, the Department of Social Services must maximize the use of prepaid health plans, where appropriate, and other alternative service delivery and reimbursement methodologies, including individual primary care physician sponsors or specialty physician services arrangements, designed to facilitate the cost-effective purchase of comprehensive health care. The proposal specifies that a prepaid health plan must not include pharmacy benefits and services.

A prepaid health plan must not provide: (1) Pharmacy benefits; (2) All benefits and services currently provided by a community psychiatric rehabilitation provider or a comprehensive substance abuse treatment and rehabilitation provider under the Medicaid rehabilitation state plan option that includes mental health rehabilitation services and substance abuse rehabilitation services; and (3) All benefits and services subject to the clinical upper payment limit under the clinic upper payment limit state plan approved by the Centers for Medicare and Medicaid Services that are provided by privately owned and operated community mental health centers acting as administrative entities for the Department of Mental Health.

For the purposes of care coordination and disease management, a prepaid health plan or other alternative service delivery entity must be required to provide MO HealthNet with an electronic notice of any authorization or denial of an initial request of coverage of inpatient admission within 24 hours of receiving the request and an electronic copy of all other claims within 10 days of the initial submission and upon payment of the claim.

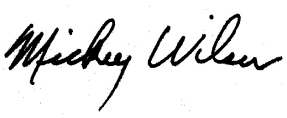
Currently, the Department of Social Services has authority to purchase medical services for public assistance recipients from prepaid health plans, health maintenance organizations, health insuring organizations, preferred provider organizations, individual practice associations, local health units, community mental health centers, or primary care physician sponsors. The proposal adds accountable care organizations and community mental health centers. Currently, the department or its designated division must ensure, whenever possible and consistent with quality of care and cost factors, that publicly supported neighborhood and community-supported health clinics are utilized as providers. The proposal adds community mental health centers. Currently, the department or its designated division must ensure reasonable access to medical services in geographic areas where managed or coordinated care programs are initiated. The proposal requires the department or its designated division to ensure reasonable access to medical services in all geographic areas of the state.

This legislation is not federally mandated, would not duplicate any other program, but may require additional capital improvements or rental space.

HWC:LR:OD

SOURCES OF INFORMATION

Department of Mental Health
Department of Health and Senior Services
Department of Social Services
Office of Administration -
Division of Budget and Planning



Mickey Wilson, CPA
Director
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Ross Strope
Assistant Director
March 11, 2014

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