

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4573-02  
Bill No.: SB 518  
Subject: Medicaid; Health Care  
Type: Original  
Date: January 20, 2014

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Bill Summary: This proposal extends MO HealthNet managed care statewide for only the current managed care populations.

**FISCAL SUMMARY**

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

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

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Federal*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

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

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### 208.166 - Statewide managed care for current populations:

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

Section 208.166 extends the MO HealthNet Managed Care program statewide by January 1, 2015, for all eligibility groups currently enrolled in a managed care plan as of January 1, 2014.

MO HealthNet would require an additional eight (8) FTE to implement Managed Care statewide. These FTE would include: a Social Services Manager II (\$50,088 annually); a Management Analysis Specialist II (\$41,016 annually); a Medicaid Unit Supervisor (\$41,016 annually); a Program Development Specialist (\$39,480 annually); a Correspondence and Information Specialist (\$34,092 annually); and three (3) Medicaid Technicians (\$31,800 annually, each). 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. However, 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 Medicaid Management Information System (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 will be added.

ASSUMPTION (continued)

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 cost for enrollees plus additional costs associated with rebidding managed care contracts).

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

FY17: \$498,187 for Salaries, Fringe and E&E  
          \$229,000 for additional enrollment packets  
          \$727,187

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

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Savings - DSS-MHD (\$208.166)</u>			
Program savings for statewide managed care implementation	\$2,547,938	\$5,202,890	\$5,421,411
<u>Costs - DSS-MHD (\$208.166)</u>			
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	<u>(Could exceed \$439,500)</u>	<u>(\$114,500)</u>	<u>(\$114,500)</u>
<u>Total Costs - DSS-MHD</u>	<u>(Could exceed \$677,550)</u>	<u>(\$360,878)</u>	<u>(\$363,593)</u>
FTE Change - DSS-MHD	4 FTE	4 FTE	4 FTE
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>			
	<u><b>Could be less than \$1,870,388</b></u>	<u><b>\$4,842,012</b></u>	<u><b>\$5,057,818</b></u>
Estimated Net FTE Change on the General Revenue Fund	4 FTE	4 FTE	4 FTE
<b>OTHER STATE FUNDS</b>			
<u>Savings - DSS-MHD (\$208.166)</u>			
Program savings for statewide managed care implementation	<u>\$1,620,784</u>	<u>\$3,309,642</u>	<u>\$3,448,646</u>
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
	<u><b>\$1,620,784</b></u>	<u><b>\$3,309,642</b></u>	<u><b>\$3,448,646</b></u>

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>FEDERAL FUNDS</b>			
<u>Income - DSS-MHD (\$208.166)</u>			
Increase in program reimbursements	Could exceed \$677,550	\$360,878	\$363,593
<u>Savings - DSS-MHD (\$208.166)</u>			
Reduction in program costs due to implementing statewide managed care	\$7,292,324	\$14,890,925	\$15,516,344
<u>Costs - DSS-MHD (\$208.166)</u>			
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	<u>(Could exceed \$439,500)</u>	<u>(\$114,500)</u>	<u>(\$114,500)</u>
Total <u>Costs</u> - DSS-MHD	<u>(Could exceed \$677,550)</u>	<u>(\$360,878)</u>	<u>(\$363,593)</u>
FTE Change - DSS-MHD	4 FTE	4 FTE	4 FTE
<u>Loss - DSS-MHD (\$208.166)</u>			
Reduction in program reimbursements due to implementing statewide managed care	<u>(\$7,292,324)</u>	<u>(\$14,890,925)</u>	<u>(\$15,516,344)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
Estimated Net FTE Change on Federal Funds	4 FTE	4 FTE	4 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

This proposal would have a negative fiscal impact on small business health care providers if they were fee-for-service providers for the Medicaid program prior to the implementation of statewide managed care. Since managed care will save the State of Missouri money, it is assumed fee-for-service providers will receive lower reimbursement for services provided even if they become members of the managed care organizations' network of providers.

FISCAL DESCRIPTION

This proposal extends the MO HealthNet Managed Care program statewide by January 1, 2015, for all eligibility groups currently enrolled in a managed care plan as of January 1, 2014.

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 -  
MO HealthNet Division



Mickey Wilson, CPA  
Director  
January 20, 2014

Ross Strobe  
Assistant Director  
January 20, 2014