

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4573-04
Bill No.: SCS for SB 518
Subject: Medicaid; Health Care
Type: Original
Date: February 10, 2014

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

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	Could be less than \$4,842,012	Could be less than \$5,057,818
Total Estimated Net Effect on General Revenue Fund	Could be less than \$1,870,388	Could be less than \$4,842,012	Could be less than \$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 <u>Other</u> 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 <u>All</u> 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

§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)

Section 208.166.5(3) states the department shall develop a transitional Medicaid payment plan prior to July 1, 2015, if necessary, for the purpose of continuing and preserving payments consistent with current Medicaid levels for community mental health centers (CMHCs), which act as administrative entities for the Department of Mental Health (DMH) and serve as safety net providers. The department shall create an implementation working group consisting of CMHCs, the DMH, and managed care organizations in the MO HealthNet program.

If managed care reimbursement is to be consistent for the current managed care areas and the statewide expansion areas, there may be an impact to the current managed care rates. There would be an unknown fiscal impact, as MHD does not have comparisons of what CMHCs are being paid in managed care today as compared to CMHC reimbursement rates with the implementation of the Clinic Upper Payment Limit (UPL).

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
 Unknown cost for CMHC payments
Total: Unknown exceeding \$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
 Unknown cost for CMHC payments
 Unknown exceeding \$721,757

FY17: \$498,187 for Salaries, Fringe and E&E
 \$229,000 for additional enrollment packets
 Unknown costs for CMHC payments
 Unknown exceeding \$727,187

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

HWC:LR:OD

ASSUMPTION (continued)

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 208.166.5.(2) continues pharmacy coverage through the MO HealthNet fee-for-service program. The pharmacy benefit is currently carved out of Managed Care; therefore, there will be no fiscal impact to MHD.

Officials from the **Department of Health and Senior Services (DHSS)** state the proposal could result in an unknown, but minimal, fiscal impact to the Division of Community and Public Health (DCPH) because a few children may be provided acute care through managed care rather than through the Healthy Children and Youth (HCY) Program. Because the majority of HCY participants are not included in the managed care eligibility groups due to their high need for long-term services, the fiscal impact would be minimal.

Oversight assumes the DHSS could absorb these unknown minimal costs within its current appropriation levels.

Officials from the **Department of Mental Health (DMH)** state expanding managed care puts the state at risk for losing the clinic upper payment limit (UPL) supplemental payments made to the Community Mental Health Centers (CMHCs). To address this potential risk, the proposed language maintains the clinic UPL supplemental payment level by requiring the Department of Social Services (DSS) to develop a transitional Medicaid payment plan prior to implementation of the managed care expansion to continue and preserve the current Medicaid payments for CMHCs. State Fiscal Year 2014 Clinic UPL Supplemental payments are \$10.8 million (\$4.1 million state General Revenue and \$6.7 million Federal monies).

The DMH is responsible for the state portion of the current clinic UPL supplemental payments and assumes the current UPL payment levels would continue to be the responsibility of DMH through the managed care program. It is unknown if this payment level would have to be incorporated into the CMHCs within the current managed care counties. If it is intended that managed care reimbursement be consistent for the current managed care areas and the statewide

ASSUMPTION (continued)

expansion areas, there may be an impact on the current managed care rates. If DMH is required to pay the state portion of UPL payments for CMHC's within the current managed care counties there would be a cost to DMH. However, at the present time, the DMH anticipates no fiscal impact.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to the BAP.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<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	(Could exceed \$439,500)	(\$114,500)	(\$114,500)
Additional CMHC program payments	(Unknown)	(Unknown)	(Unknown)
<u>Total Costs - DSS-MHD</u>	<u>(Unknown, could exceed \$677,550)</u>	<u>(Unknown, could exceed \$360,878)</u>	<u>(Unknown, could exceed \$363,593)</u>
FTE Change - DSS-MHD	4 FTE	4 FTE	4 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND			
	<u>Could be less than \$1,870,388</u>	<u>Could be less than \$4,842,012</u>	<u>Could be less than \$5,057,818</u>
Estimated Net FTE Change on the General Revenue Fund	4 FTE	4 FTE	4 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
OTHER STATE FUNDS			
<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>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$1,620,784</u>	<u>\$3,309,642</u>	<u>\$3,448,646</u>
FEDERAL FUNDS			
<u>Income - DSS-MHD (§208.166)</u>			
Increase in program reimbursements	Unknown, could exceed \$677,550	Unknown, could exceed \$360,878	Unknown, could exceed \$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	(Could exceed \$439,500)	(\$114,500)	(\$114,500)
Additional CMHC program payments	(Unknown)	(Unknown)	(Unknown)
Total <u>Costs</u> - DSS-MHD	<u>(Unknown, could exceed \$677,550)</u>	<u>(Unknown, could exceed \$360,878)</u>	<u>(Unknown, could exceed \$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>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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.

FISCAL DESCRIPTION

This proposal extends the MO HealthNet Managed Care program statewide by July 1, 2015, for all benefit and eligibility groups currently enrolled in a managed care plan as of January 1, 2014. The Department is to develop a transitional Medicaid payment plan for the purpose of continuing and preserving payments consistent with current Medicaid levels for community mental health centers (CMHCs). DSS is also to create an implementation working group consisting of CMHCs, the Department of Mental Health, and managed care organizations in the MO HealthNet program.

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

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



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