

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5261-01
Bill No.: HB 1662
Subject: Medicaid; Social Services Department
Type: Original
Date: February 21, 2014

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

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
Various Other Funds	\$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 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Federal	(More than \$3,350,000)	(More than \$6,700,000)	(More than \$6,700,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	(More than \$3,350,000)	(More than \$6,700,000)	(More than \$6,700,000)

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)

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).

Officials from the **Department of Mental Health (DMH)** state the proposed legislation extends the current Managed Care Program statewide, effective July 1, 2015, for all eligibility groups currently enrolled in a managed care plan. The current Managed Care Program carves out the following DMH care management services when provided by a DMH certified provider:

HWC:LR:OD

ASSUMPTION (continued)

Community Psychiatric Rehabilitation, Comprehensive Substance Abuse Treatment and Rehabilitation, Targeted Case Management, and Developmental Disabilities waiver services. Based on the current proposed language, DMH assumes that Department of Social Services will continue to carve out the DMH care management services as they do in the Managed Care Program today.

However, 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). The loss of the clinic UPL supplemental payment will place additional pressure on state funds, and the loss of this funding mechanism would not be realized through a net managed care savings. DMH anticipates the loss in excess of \$6,700,000 of Federal funds to the current DMH budget.

Officials from the **Office of Administration - Division of Budget and Planning** assume the proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (6 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	<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
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND			
	<u>Could be less than \$1,870,388</u>	<u>\$4,842,012</u>	<u>\$5,057,818</u>
Estimated Net FTE Change on the General Revenue Fund	4 FTE	4 FTE	4 FTE
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>

<u>FISCAL IMPACT - State Government</u>	FY 2015 (6 Mo.)	FY 2016	FY 2017
FEDERAL FUNDS			
<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 - DMH (§208.166)</u>			
Loss of UPL supplemental payments	(More than \$3,350,000)	(More than \$6,700,000)	(More than \$6,700,000)
<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>(More than \$3,350,000)</u>	<u>(More than \$6,700,000)</u>	<u>(More than \$6,700,000)</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. However, small business Community Mental Health Centers may experience a decrease in revenues if they lose upper payment limit supplemental payments.

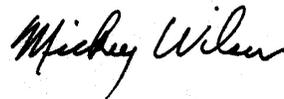
FISCAL DESCRIPTION

By January 1, 2015, this proposal requires the Department of Social Services to seek the necessary waiver or state plan amendment from the federal Department of Health and Senior Services to extend the current MO HealthNet Managed Care program statewide for all eligibility groups currently enrolled in a managed care plan as of January 1, 2015. The pharmacy benefit for the managed care population receiving coverage under these provisions must be covered under the MO HealthNet fee-for-service program.

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

SOURCES OF INFORMATION

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



Mickey Wilson, CPA
Director
February 21, 2014

Ross Strobe
Assistant Director
February 21, 2014