

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3458-01
BILL NO.: HB 1912
SUBJECT: Health Care; Health Department
TYPE: Original
DATE: March 30, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$6,501,697)	(\$13,822,959)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$6,501,697)	(\$13,822,959)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Federal	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds*	\$0	\$0	\$0

*Revenues and expenditures of approximately \$18.2 million annually net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Mental Health** assume this proposal would not fiscally impact their agency.

Department of Social Services (DOS) officials state the proposal would fiscally impact their agency.

DOS - Department of Medical Services (DMS)

DMS officials state the proposal would require the department to negotiate a trend factor that would be applied to each unit of service reimbursement rate for in-home services. DMS would negotiate the trend factor with all persons selected as a representative of an association. DMS states the negotiations should be completed by December first of the calendar year immediately preceding the state fiscal year in which the rate would apply. If an agreement cannot be reached the trend factor would be the general inflation rate as determined by the Federal Reserve Board or its successor plus two percent. DMS states that if the negotiated trend factor would not be fully funded through state appropriations, the appropriated trend factor rate would be an unfunded liability of the state.

DMS assumes the in-home service providers would receive a rate increase each year. DMS assumes there would be more than one association the DMS would negotiate with and they would all need to be in agreement to arrive at the negotiated trend factor. DMS states that for purposes of this estimate, the estimated trend factor was based on the medical care component of the Consumer Price Index for All Urban Consumers. DMS states the seasonally adjusted U. S. City Average for January, 2000 was 3.6% plus 2% would equal 5.6%. This trend factor was used for both FY2002 and FY2003. DMS states the current rate for each service was multiplied by the trend factor (5.6%) to arrive at the increase in the rate. The increase in the rate was multiplied by the units of service to arrive at the cost of the trend factor for each service. The costs of the trend factor for each service were summed to arrive at the total cost (FY2001 projected units of service (from the FY2001 Budget Request) were inflated by four percent for both years). DMS estimates the cost for FY2002 to be \$13,952,420 and \$29,841,067 for FY2003. The FY2003 cost includes the impact of the FY2002 rate increase as well as the FY2003 trend. The federal match rate used was 61.3%.

DOS - Division of Aging

Officials from DOS - Division of Aging (DA) state they would, in conjunction with DMS, work

ASSUMPTION (continued)

with the representatives of an association representing in-home service providers to negotiate the trend factor which would be applied to each unit of service reimbursement rate for in-home services beginning with state fiscal year 2002. DA would need to request appropriations to fund an increase to the in-home service unit reimbursement rate by the negotiated trend factor. DA states they believe that the time required for a representative of the division to work with representatives of an association to negotiate the trend factor can be absorbed by existing personnel. DA estimates the cost for FY2002 to be \$1,064,439 and \$2,193,895 for FY2003.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Costs - Department of Social Services -</u>			
<u>Division of Medical Services</u>			
Medical assistance payments	\$0	(\$5,437,258)	(\$11,629,064)
<u>Costs - Department of Social Services -</u>			
<u>Division of Aging</u>			
Medical assistance payments	<u>\$0</u>	<u>(\$1,064,439)</u>	<u>(\$2,193,895)</u>
ESTIMATED NET EFFECT ON			
GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$6,501,697)</u>	<u>(\$13,822,959)</u>
FEDERAL FUNDS			
<u>Income - Department of Social Services</u>			
Medicaid reimbursements	\$0	\$8,515,162	\$18,212,003
<u>Costs - Department of Social Services -</u>			
<u>Division of Medical Services</u>			
Medical assistance payments	<u>\$0</u>	<u>(\$8,515,162)</u>	<u>(\$18,212,003)</u>
ESTIMATED NET EFFECT ON			
FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses which provide 'in-home' health services could be affected by this proposal.

DESCRIPTION

This proposal would require the application of a negotiated reimbursement rate, termed a "trend factor," for in-home service providers for each fiscal year, beginning in fiscal year 2002. In-home service providers would be individuals or entities under contract with the state to provide eligible adults with services in their homes. The trend factor would be determined through negotiations between the Department of Social Services and representatives of in-home provider associations which are established with the intent of holding such providers harmless against cost increases. Negotiations must begin by October 1 and conclude by December 1 of the calendar year immediately prior to the fiscal year in which the negotiated trend factor would apply. The negotiated trend factor would not exceed the basket price index established by the Health Care Financing Administration for that year. If negotiations between the department and the in-home providers associations would fail to meet the deadlines established in the proposal, the general inflation rate plus 2% would be used as the reimbursement rate. If the negotiated trend factor would not fully funded through state appropriations, the proposal specifies the appropriated trend factor as an unfunded liability of the state. The trend factor for each subsequent year is to be based on the negotiated trend factor from the previous fiscal year and not on the appropriated trend factor.

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
Department of Mental Health



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Director
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