

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4742-01
Bill No.: HB 1713
Subject: Health Care; Medicaid; Social Services Dept.
Type: Original
Date: February 20, 2012

Bill Summary: Adds prescribed, medically necessary hearing aids to the list of services covered under MO HealthNet.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Less than \$541,410)	(\$594,824)	(\$615,661)
Total Estimated Net Effect on General Revenue Fund	(Less than \$541,410)	(\$594,824)	(\$615,661)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenditures net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

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 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§208.152

Officials from the **Department of Health and Senior Services** assume the proposal will have no fiscal impact on their organization.

Officials from the **Department of Mental Health (DMH)** state the proposal places no requirements on the DMH that would result in a fiscal impact.

Officials from the **Department of Social Services - MO HealthNet Division (MHD)** state currently hearing aids and related covered services are offered to MO HealthNet participants who receive a full benefit package under a category of assistance for children, pregnant women, the blind or nursing facility residents. Covered services include audiological testing, hearing aids, ear molds, hearing aid fitting, hearing aid dispensing/evaluation, post-fitting evaluation, post-fitting adjustments, and hearing aid repairs. All hearing aids and related services must have prior approval except audiometric testing, post-fitting evaluation, post-fitting adjustment, and repairs to hearing aids no longer under warranty. The current prior approval process is paper-based and not electronic.

There would be a cost to the MHD to provide these services to participants who do not receive a full benefit package. Costs were obtained for fee-for-service participants who received hearing aids and related services in FY 05 and whom would be in a limited benefit category now. Since there have been no rate increases for these services since FY05, no inflation was applied for years FY05 through FY12. Costs for fee-for-service were inflated by 3.5% from FY13 through FY15.

Costs for fee-for-service participants:

FY13 (10mths):	Total \$1,218,268 (\$464,282 GR/\$753,986 Federal);
FY14:	Total \$1,513,089 (\$576,638 GR/\$936,451 Federal);
FY15:	Total \$1,566,047 (\$596,821 GR/\$969,226 Federal).

The MHD assumes this legislation will also apply to MO HealthNet Managed Care health plans. The estimated annual fiscal impact for adults enrolled in managed care would be \$46,060. In addition, there would be a first year cost for an actuarial study to determine the impact of this requirement on rate ranges to ensure actuarial soundness as required by the Centers for Medicare and Medicaid Services. The cost of the analysis will depend on the complexity of the analysis needed to address this program change. The cost of the study could be up to \$25,000 (\$12,500 GR). Total FY13 managed care cost would be unknown < \$63,383 (\$46,060 / 12 months * 10 months + \$25,000). Managed care costs were inflated by 3.6% for FY14 and FY15.

ASSUMPTION (continued)

Cost for MO HealthNet Managed Care:

FY13 (10mths): Unknown < \$63,383 (unknown < \$27,128 GR/\$36,255 Federal);
FY14: \$47,719 (\$18,186 GR/\$29,533 Federal);
FY15: \$49,436 (\$18,840 GR/\$30,596 Federal).

In addition, the proposal requires that a web-based prior authorization system is used to verify medical need. The hearing aid program currently uses a paper-based prior authorization system. MHD uses a web-based prior authorization system for other services but does not have the system prepared to accommodate the hearing aid program. Algorithms will need to be developed for the hearing aid program and that cost will occur only one time in the first year of the fiscal note. The cost is unknown but is anticipated to be under \$100,000.

Cost for Web-based PA System:

FY13: Unknown < \$100,000 (unknown < \$50,000 GR);
FY14: \$0;
FY15: \$0.

Total Cost:

This legislation is subject to appropriation so the cost is stated as a range.

FY13: (10 months): Total \$0 to \$1,381,651 (GR \$0 to \$541,410);
FY14: Total \$0 to \$1,560,808 (GR \$0 to \$594,824);
FY15: Total \$0 to \$1,615,483 (GR \$0 to \$615,661).

Oversight assumes, for fiscal note purposes only, this proposal will be appropriated the necessary funding and has reflected the costs without the "\$0 to" range.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
§208.152			
<u>Costs - Department of Social Services - MO HealthNet Division</u>			
Hearing aid program costs	<u>(Less than \$541,410)</u>	<u>(\$594,824)</u>	<u>(\$615,661)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
	<u>(Less than \$541,410)</u>	<u>(\$594,824)</u>	<u>(\$615,661)</u>
FEDERAL FUNDS			
§208.152			
<u>Income - Department of Social Services - MO HealthNet Division</u>			
Hearing aid program reimbursements	Less than \$840,241	\$965,984	\$999,822
<u>Costs - Department of Social Services - MO HealthNet Division</u>			
Hearing aid program expenditures	<u>(Less than \$840,241)</u>	<u>(\$965,984)</u>	<u>(\$999,822)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

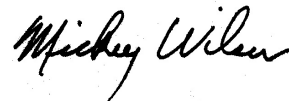
FISCAL DESCRIPTION

Subject to appropriations, this proposal adds prescribed, medically necessary hearing aids to the list of covered services under the MO HealthNet Program. An electronic web-based prior authorization system using best medical evidence and care and treatment guidelines consistent with national standards must be used to verify medical need.

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 Mental Health
Department of Health and Senior Services
Department of Social Services -
MO HealthNet Division



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Director
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