

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1393-02  
Bill No.: SCS for HB 589  
Subject: Health Care; Medicaid; Social Services Department  
Type: Original  
Date: April 24, 2015

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Bill Summary: This proposal modifies provisions relating to reimbursement for MO HealthNet services.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$126,018)	(\$152,959)	(\$154,720)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$126,018)</b>	<b>(\$152,959)</b>	<b>(\$154,720)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 and expenses exceed \$100,000 annually and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
General Revenue	2.5	2.5	2.5
Federal	2.5	2.5	2.5
<b>Total Estimated Net Effect on FTE</b>	<b>5</b>	<b>5</b>	<b>5</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS), Missouri Medicaid Audit and Compliance Unit (MMAC)** state MMAC assumes HB 589 will result in a significant increase in the number of appeals of MMAC overpayment determinations. This increase in appeals is estimated to be approximately 50%.

Currently, a MMAC Medicaid Specialist (analyst) completes an audit of a provider's Medicaid claims within 10 hours. MMAC has 22 FTE analysts conducting reviews. An appeal, which includes preparation, discovery and testimony, may take as long as 40 hours, resulting in 30 hours per FTE lost due to appeals. MMAC's average number of completed audits per year is 2,554, with this legislation it is assumed that there will be approximately 164 less audits and possibly 41 more additional appeals which will cause a 6.4% reduction in the number of audits conducted. The two year average of accounts receivables from overpayments in calendar years 2013 and 2014 was \$7,380,638 as a result of provider audits. Therefore, the time spent on appeals will result in the inability to conduct approximately 164 audits per year or 6.4% (164/2,554), resulting in a loss of recoverable funds of \$472,360 ( $\$7,380,638 \times 6.4\%$ ).

With enactment of the legislation MMAC analysts will be required to reallocate time away from auditing which will result in the inability to generate the current average recoverable overpayments. Therefore, MMAC would need the following additional 5 FTE to support this legislation, totaling \$252,036 including fringe along with associated E&E expenses for FY 2016 (10 months):

MMAC Attorney - \$39,984 annually  
Administrative Analyst II (legal) - \$33,018 annually  
Senior Office Support Assistant (SOSA) - \$24,906 annually  
Medicaid Specialist (2) – (40,642 annually X 2) = \$81,284

Expenses are split 50/50 between federal and state funds.

**Oversight** notes the additional FTE requested by MMAC will allow the unit to maintain the current number of audits being performed each year. In effect, the new FTE will be used to absorb the increase in provider appeals that will be generated by as a result of this proposal.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b>			
(\$208.152)			
<u>Costs - DSS- MMAC</u>			
Personal service	(\$74,663)	(\$90,492)	(\$91,397)
Fringe benefits	(\$38,828)	(\$47,060)	(\$47,531)
Equipment and expense	<u>(\$12,527)</u>	<u>(\$15,407)</u>	<u>(\$15,792)</u>
Total <u>Costs - DSS-MMAC</u>	<u>(\$126,018)</u>	<u>(\$152,959)</u>	<u>(\$154,720)</u>
FTE Change - DSS	2.5 FTE	2.5 FTE	2.5 FTE
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>			
	<b><u>(\$126,018)</u></b>	<b><u>(\$152,959)</u></b>	<b><u>(\$154,720)</u></b>
Estimated Net FTE Change on the General Revenue Fund	2.5 FTE	2.5 FTE	2.5 FTE
<b>FEDERAL FUNDS</b>			
(\$208.152)			
<u>Income - DSS-MMAC</u>			
Increase in federal reimbursements	\$126,018	\$152,959	\$154,720
<u>Costs - DSS- MMAC</u>			
Personal service	(\$74,663)	(\$90,492)	(\$91,397)
Fringe benefits	(\$38,828)	(\$47,060)	(\$47,531)
Equipment and expense	<u>(\$12,527)</u>	<u>(\$15,407)</u>	<u>(\$15,792)</u>
Total <u>Costs - DSS-MMAC</u>	<u>(\$126,018)</u>	<u>(\$152,959)</u>	<u>(\$154,720)</u>
FTE Change - DSS	2.5 FTE	2.5 FTE	2.5 FTE
<b>ESTIMATED NET EFFECT ON THE 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	2.5 FTE	2.5 FTE	2.5 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact on small business healthcare providers that accept MO HealthNet payments if they are, or are not, notified of changes in interpretation or application of reimbursement requirements by the Department of Social Services.

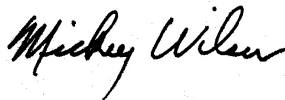
FISCAL DESCRIPTION

This proposal specifies that if Missouri Medicaid audit and compliance changes any interpretation or application of the requirements for reimbursement for MO HealthNet services from the interpretation or application that has been applied previously by the state in any audit of a MO HealthNet provider, Missouri Medicaid audit and compliance must notify all affected MO HealthNet providers five business days before the change takes affect. Failure of the Missouri Medicaid audit and compliance to notify a provider of the change entitles the provider to continue to receive and retain reimbursement until notification is provided and waives any liability of the provider for recoupment or other loss of any payments previously made five business days after such notice has been sent. Each provider shall provide the Missouri Medicaid audit and compliance unit with a valid email address and shall agree to receive communications electronically. The notification required by the proposal shall be delivered in writing by the United States Postal Services or electronci mail to each provider.

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 Attorney General  
Department of Social Services -  
Missouri Medicaid Audit and Compliance Unit



Mickey Wilson, CPA  
Director  
April 24, 2015

Ross Strope  
Assistant Director  
April 24, 2015