

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5439-01  
Bill No.: HB 1939  
Subject: Medicaid; MO HealthNet; Chiropractors  
Type: Original  
Date: March 9, 2016

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Bill Summary: This proposal requires licensed chiropractors to be reimbursed under the MO HealthNet program for providing chiropractic services.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$5,677,331 to \$17,295,395)	(\$6,852,798 to \$21,152,792)	(\$7,028,697 to (21,695,960)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$5,677,331 to \$17,295,395)</b>	<b>(\$6,852,798 to (21,152,792)</b>	<b>(\$7,028,697 to \$21,695,960)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<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 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 \$11 million annually and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</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>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS)** state this bill adds chiropractic services provided by a chiropractic physician to the list of services paid by MO HealthNet. Meridian therapy, acupressure and acupuncture are excluded. Services will be subject to a co-pay of \$4 per visit and a limit of 26 visits in a calendar year.

This legislation will increase utilization of currently paid procedure codes.

Because this legislation does not state that services must be "medically necessary", the MO HealthNet Division (MHD) has put a range on this fiscal note. The lower range is an estimate of participants who have a medical necessity for treatment and would receive medically necessary services, while the upper range adds two components: 1) the cost for medically necessary users receiving additional non-medically necessary services; and 2) the cost for users who are not seeking treatment out of medical necessity. To show this range, the first part of the narrative outlines the cost for those with a medical necessity for treatment who would receive medically necessary services and the next part of the narrative will show the cost for the non-medically necessary services. These two components will make up the upper range.

### LOWER RANGE

Studies that determined the utilization of chiropractic care in the general population were reviewed to determine the potential number of MO HealthNet (MHN) participants who might receive chiropractic care if this legislation passed. It is assumed that utilization in the MHN population will be similar to the general population. The National Center for Health Statistics (December 10, 2008) found that 8.6% of adults and 2.8% of children used chiropractic or osteopathic manipulation within the previous 12 months. MHD chose to use 9% for adults and 3% for children as the estimate of the percentage of the MHD population that will use chiropractic services.

The number of MHN adults in fee-for-service (FFS) in FY15 was 274,441. It is estimated that 24,700 ( $274,441 \times 9\%$ ) adult participants will utilize medically necessary chiropractic care. There were 198,359 children in FFS in FY15. It is estimated that 5,951 ( $198,359 \times 3\%$ ) will utilize medically necessary chiropractic care. Therefore, a total of 30,651 participants are estimated to use medically necessary chiropractic care in FFS.

It is assumed under this legislation chiropractors would, at a minimum, bill for manipulative treatment and certain physical therapies. Procedure codes 98925, 98926, 98927, 98928, and 98929 are codes which are currently utilized for osteopathic manipulative treatment. An average rate for these procedure codes is \$28.93.

ASSUMPTION (continued)

The number of medically necessary chiropractic visits that will be prior authorized for each participant is assumed to be 14.4 visits per year, based on the annual number of recommended chiropractic visits found in "A Survey of Practice Patterns and the Health Promotion and Prevention Attitudes of US Chiropractors" (Rupert, RL). The annual cost for one person in FFS will be \$366.19 (14.4 visits x \$25.43 (\$28.93 less an additional \$3.50 for copays, which are currently \$0.50 cents). The total yearly FFS cost would be \$11,224,090 (\$366.19 x 30,651 participants).

It is assumed under this legislation that an increase in provider access from the addition of chiropractic providers will increase utilization for other physical therapy (PT) services within the chiropractic scope of work that are typically offered by a physician's office. Procedure codes 97014, 97032, 97035, 97110, 97124 and 97140 are therapy codes highly utilized in the physician office setting that could fall under the chiropractor's scope of work.

Physical therapy is not currently a covered benefit for adults. While the increased cost from children accessing these services is unknown at this time, MHD assumes 200 children less than 19 years of age in FFS may receive 14.4 treatments annually at an average cost of \$9.57 (\$13.07 less an additional \$3.50 for copays, which are currently \$0.50 cents). The yearly cost for PT for children in FFS would be \$27,562.

For the Managed Care (MC) population, MO HealthNet used the same methodology as FFS but included a 1.1% savings over the FFS estimate in the second year (FY18) and 2.2% savings in the third year (FY19). There are no managed care savings in the first year of implementation (FY17). MHD assumes the FY17 estimate, while only representing 10 months of cost, is the first year when calculating managed care savings.

The number of MHN adults in MC in FY15 was 77,581. It is estimated that 6,982 (77,581 x 9%) participants will utilize medically necessary chiropractic care. There were 391,935 children in MC in FY15. It is estimated that 11,758 (391,935 x 3%) will utilize medically necessary chiropractic care. Therefore, a total of 18,740 (6,982 adults + 11,758 children) participants are estimated to use medically necessary chiropractic care in MC.

The annual cost for one person is estimated to be \$366.19 in FY17, \$362.16 in FY18 and \$358.14 in FY19 (14.4 visits x \$25.43, with a MC savings of 1.1% in year 2 and 2.2% in year 3). The total yearly cost for MC would be \$6,862,438 in FY17 (\$366.19 x 18,740 participants), and \$6,786,951 in FY18 and \$6,711,464 in FY19.

ASSUMPTION (continued)

MHD assumes 400 children less than 19 years of age in MC may receive 14.4 PT treatments annually at an average cost of \$9.57. The yearly cost for PT for children in MC would be \$55,123 (400 children X 14.4 PT treatments X \$9.57) in FY17, \$54,517 in FY18 and \$53,910 in FY19.

There will also be a one-time system cost of \$200,000 to add a new provider type and a one-time cost for an actuarial study for managed care of \$50,000.

It is assumed there will be only a 10 month cost in FY17. Medical inflation of 3% was applied to FY18 and FY19.

FY17 (10 mths): \$15,349,344 (GR \$5,677,331; FF \$9,672,013);  
FY18: \$18,635,913 (GR \$6,852,798; FF \$11,783,115);  
FY19: \$19,114,263 (GR \$7,028,697; FF \$12,085,566)

UPPER RANGE - The upper range includes all of the components in the the lower range with the following additions:

MHD assumes that there will be some utilization of chiropractic services that would not be medically necessary or recommended by a physician. These services would not qualify for federal match and would be paid entirely with General Revenue funds.

MHD assumes that the participants seeking treatment out of medical necessity would receive 6 more visits per year that would not be determined medically necessary.

Additionally, there would be a new group of people who are **not seeking treatment out of medical necessity** (MHD assumes 4.5% of the adult population and 1.5% of the child population) that would use 10.2 visits per year.

For the **FFS population**, this would be a total cost of **\$8,651,882**. 30,651 people at a cost of \$152.58 (\$25.43 per visit x 6 visits) each, plus 15,325 people at a cost of \$259.39 (\$25.43 per visit x 10.2 visits).

For the **MC population**, this would be a total cost of **\$5,289,796 in FY17; \$5,231,608 in FY18; and \$5,173,421 in FY19**. 18,740 people at a cost of \$152.58 in FY17, \$150.90 in FY18, and \$149.22 in FY19 (\$25.43 per visit x 6 visits, with a MC savings of 1.1% in year 2 and 2.2% in year 3) each, plus 9,370 people at a cost of \$259.39 in FY17, \$256.53 in FY18 and \$253.68 in FY19 (\$25.43 per visit x 10.2 visits, with a MC savings of 1.1% in year 2 and 2.2% in year 3).

ASSUMPTION (continued)

Additional Non-Medically Necessary Services:  
 FY17 (10 mths): \$11,618,064 (GR \$11,618,064; FF \$0);  
 FY18: \$14,299,994 (GR \$14,299,994; FF \$0);  
 FY19: \$14,667,263 (GR \$14,667,263; FF \$0).

Total Upper Range (lower range plus additional non-medically necessary services):  
 FY17 (10 mths): \$26,967,408 (GR \$17,295,395; FF \$9,672,013);  
 FY18: \$32,935,907 (GR \$21,152,792; FF \$11,783,115);  
 FY19: \$33,781,526 (GR \$21,695,960; FF \$12,085,566).

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume the proposal would not fiscally impact their agency.

**Oversight** will separate, for fiscal note purposes, medically necessary and non-medically necessary chiropractic services and then range costs from the low-end medically necessary costs to the total costs of necessary and non-medically necessary services.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE</b>			
<u>Costs - DSS (§208.152)</u>			
State share of medically necessary chiropractic services (Medicaid)	(\$5,677,331)	(\$6,852,798)	(\$7,028,697)
State share of non-medically necessary chiropractic services	<u>(\$11,618,064)</u>	<u>(\$14,299,994)</u>	<u>(\$14,667,263)</u>
Total <u>Costs - DSS</u>	<u>(\$5,677,331 to \$17,295,395)</u>	<u>(\$6,852,798 to \$21,152,792)</u>	<u>(\$7,028,697 to \$21,695,960)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$5,677,331 to \$17,295,395)</u></b>	<b><u>(\$6,852,798 to \$21,152,792)</u></b>	<b><u>(\$7,028,697 to \$21,695,960)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>FEDERAL FUNDS</b>			
<u>Income - DSS (\$208.152)</u>			
Program reimbursements	\$9,672,013	\$11,783,115	\$12,085,566
<u>Costs - DSS (\$208.152)</u>			
Program expenditures	<u>(\$9,672,013)</u>	<u>(\$11,783,115)</u>	<u>(\$12,085,566)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

This proposal would directly impact small business chiropractic providers that decided to provide chiropractic care to MO HealthNet recipients.

FISCAL DESCRIPTION

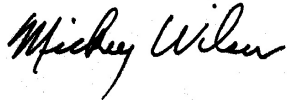
This bill specifies that MO HealthNet payments must be made for services provided by a licensed chiropractic physician practicing within his or her scope of practice. Such services do not include meridian therapy, acupressure, or acupuncture, and are subject to a co-payment of \$4 per visit and limited to 26 visits in a 12 month period.

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

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SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration  
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