

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6304-02
Bill No.: Perfected HCS for HB 2496
Subject: Medicaid/MO HealthNet; Social Services Department; Emergencies
Type: Original
Date: April 19, 2016

Bill Summary: This proposal changes the laws regarding reimbursement for emergency medical transportation under the MO HealthNet program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Intergovernmental Transfer*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Income and expenses exceeding \$9 million annually beginning in FY 2018 net to \$0.

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenses exceeding \$16 million annually beginning in FY 2018 net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Intergovernmental Transfer Fund	0	1 FTE	1 FTE
Federal Funds	0	1 FTE	1 FTE
Total Estimated Net Effect on FTE	0	2 FTE	2 FTE

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS)** state this bill creates two new sections in Chapter 208, RSMo, which would authorize the MO HealthNet Division (MHD) to implement and administer supplemental payments to providers of ground emergency medical transportation for allowable medical expenditures. Participation by providers is voluntary; however, providers must be owned, operated, or contracted by the state, a political subdivision, or local government. To receive supplemental payment, providers must enter into and maintain an agreement with the department to implement and reimburse the department for administrative costs. The non-federal share of the supplemental payment is to be paid with funds collected via intergovernmental transfer by eligible providers.

Section 208.1030 specifies the provisions for providing supplemental reimbursement to providers under the fee-for-service (FFS) program. FFS providers cannot receive a net payment from MHD which exceeds one hundred percent of actual cost. Section 208.1032 specifies the provisions for providing supplemental reimbursement to providers pursuant to a contract or other arrangement with a MO HealthNet managed care plan. The supplemental payment made to providers under managed care must be actuarially equivalent to FFS payments, but cannot exceed commercial reimbursement rates available. Furthermore, MO HealthNet managed care plans and coordinated care organizations are required to forward all payments received as part of an increased capitation payment for ground emergency transportation services to eligible providers.

MHD assumes DSS is required to obtain all necessary approvals from the Center for Medicare and Medicaid Services (CMS) before supplemental payments can be made. Any portions of this bill that do not comply with CMS requirements will not be implemented per Section 208.158, RSMo.

MHD assumes it will need two additional staff to develop and implement the proposed supplemental payment program. These staff would be responsible for obtaining federal approval of the Upper Payment Limit (UPL) program, contacting eligible providers for data, and serve as the liaison with contractors working to develop the calculation and payment methodologies. A Fiscal Administrative Manager Band 1 position (\$48,144 annually) and Management Analyst Specialist II (\$41,940 annually) are requested implement the program. MHD assumes the costs of these positions will be supported by collections from participating providers as specified in the bill.

Similar to MHD experiences with other UPL initiatives, MHD will need funds to contract with a vendor for the UPL Demonstration and to perform ongoing actuarial analyses. MHD assumes contracted work would begin in FY17 with a goal to begin supplemental payments in FY18. The

ASSUMPTION (continued)

UPL Demonstration assumes \$50,000 is needed in the first year to develop a calculation with \$25,000 needed in subsequent years to calculate annual payments. MHD assumes \$50,000 is needed annually to ensure payments are actuarially sound. All contract costs are estimated at a 50/50 Federal/General Revenue (GR) split.

Because commercial rates and actual costs of these services are unknown, MHD assumes Medicare rates as the upper payment limit for the purposes of this analysis. Based on FY15 utilization of ground emergency medical transportation services, FY16 planned rates with the 1% rate increase effective January 1, 2016, and Medicare reimbursement as of January 2016, the supplemental payment for FFS providers could total \$15,333,064 in FY16. MHD assumes Medicaid rates will remain stagnant while Medicare rates will increase 3% each year. If the UPL program is not implemented until FY18, the total supplemental payments for FFS providers could total \$17,644,164.

MHD then determined the impact to eligible providers serving MO HealthNet recipients under a managed care contract by using December 2015 enrollment numbers. In December, there were 966,367 MO HealthNet enrollees. Of that number, 472,333 received services under MO HealthNet managed care. The remaining FFS enrollees (494,034) less disabled and elderly results in 257,878 individuals considered FFS Managed-Care like participants. Based on December 2015 expenditures, 24% of the FFS ambulance expenditures were made on behalf of Managed-Care like individuals (not aged, blind, or disabled). MHD determined a Medicaid per member per year (PMPY) cost for FY16 of \$21.12 ($\$22,616,040 * 24.09\% / 257,898$) and a Medicare PMPY cost of \$35.45 ($\$37,949,104 * 24.09\% / 257,898$). MHD then applied the FFS PMPY to the number of managed care enrollees less the number of participants that were aged, blind, or disabled since these populations use emergency medical transportation services at a higher rate than the managed care population. The FY16 supplemental payment under managed care would be \$6,764,428 ($\$16,741,858$ Medicare - $\$9,977,430$ Medicaid). MHD assumes Medicaid rates will remain stagnant while Medicare rates will increase 3% each year. If the UPL program is not implemented until FY18, the total supplemental payments for managed care providers would total \$7,784,007.

Therefore, the total supplemental payment to all emergency medical transportation providers would be \$25,428,172 total funds ($\$17,644,164 + \$7,784,007$). MHD assumes no GR would be used to make these payments as the entire state share would be transferred via IGT (Intergovernmental Transfer) to DSS.

Oversight notes per discussions with DSS officials that there is the DSS Intergovernmental Transfer Fund (#0139). Oversight assumes this is the fund that would be used for the draw down of supplemental payments for emergency medical transportation services.

ASSUMPTION (continued)

Officials from the **Department of Health and Senior Services** assume the proposal would not fiscally impact their agency.

In response to the previous version of this proposal, officials from the **Callaway County Ambulance District** stated they could seek an additional estimated \$208,405 in reimbursement for services provided to Medicaid patients on an annual basis.

In response to the previous version of this proposal, officials from the **University of Missouri Health Care** stated they had reviewed the proposed legislation and determined that as written, it would not create additional expenses in excess of \$100,000 annually.

Oversight assumes this is the materiality threshold for the UM Health Care and that any costs incurred by UM can be absorbed within current resource levels.

In response to the previous version of this proposal, officials from **Callaway County, St. Louis County** and **Mississippi County** each assumed the proposal would not fiscally impact their respective agencies.

In response to the previous version of this proposal, officials from the **Cass Regional Medical Center** assumed the proposal would have no fiscal impact on their organization.

Oversight notes the Department of Social Services (DSS) is to seek necessary federal approvals for the implementation of this program. For fiscal note purposes, Oversight assumes DSS is granted the necessary federal approvals.

Participation in the program by providers is voluntary as long as the providers meet the provisions of the proposal. DSS will submit claims for federal financial participation for the expenditures of services that are allowable under federal law, as well as any necessary materials that will provide assurance that the claims provided by ambulance services only include those expenditures that are allowable under federal law. Eligible providers must enter into agreements with the department, as a condition of receiving supplemental reimbursements, to reimburse the DSS for the costs of administering the program.

Oversight assumes the DSS will incur unknown costs to implement/set up the program in FY 2017 and assumes that reimbursements from providers will cover DSS costs, both in 2017 and in subsequent years and that the net effect to the General Revenue Fund will be \$0. All costs and reimbursements are unknown.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
INTERGOVERNMENTAL TRANSFER FUND			
<u>Income - DSS (§§208.1030 and 208.1032)</u>			
Payments from participating ambulance providers	\$0	\$9,471,195	\$10,103,060
<u>Costs - DSS (§§208.1030 and 208.1032)</u>			
Personal service	\$0	(\$45,493)	(\$45,947)
Fringe benefits	\$0	(\$22,521)	(\$22,645)
Equipment and expense	\$0	(\$52,734)	(\$43,949)
Program distributions	<u>\$0</u>	<u>(\$9,350,447)</u>	<u>(\$9,990,519)</u>
Total <u>Costs</u> - DSS	<u>\$0</u>	<u>(\$9,471,195)</u>	<u>(\$10,103,060)</u>
FTE Change - DSS	0 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE INTERGOVERNMENTAL TRANSFER FUND			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on the Intergovernmental Transfer Fund	0 FTE	1 FTE	1 FTE
FEDERAL FUNDS			
<u>Income - DSS (§§208.1030 and 208.1032)</u>			
Supplemental reimbursements	\$0	\$16,198,472	\$17,290,843
<u>Costs - DSS (§§208.1030 and 208.1032)</u>			
Personal service	\$0	(\$45,493)	(\$45,947)
Fringe benefits	\$0	(\$22,521)	(\$22,645)
Equipment and expense	\$0	(\$52,734)	(\$43,949)
Program distributions	<u>\$0</u>	<u>(\$16,077,724)</u>	<u>(\$17,178,302)</u>
Total <u>Costs</u> - DSS	<u>\$0</u>	<u>(\$16,198,472)</u>	<u>(\$17,290,843)</u>
FTE Change - DSS	0 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	0 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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

The bill permits an eligible provider to receive MO HealthNet supplemental reimbursement to the extent provided by law in addition to the rate of payment that the provider would otherwise receive for Medicaid ground emergency medical transportation services. A provider must be eligible for Medicaid supplemental reimbursement if the provider meets specified characteristics during the state reporting period and an eligible provider's Medicaid supplemental reimbursement must be calculated and paid as specified in the bill. An eligible provider, as a condition of receiving supplemental reimbursement, must enter into and maintain an agreement with the designee of the Department of Social Services for the purposes of implementing the provisions of the bill and reimbursing the department for the costs of administering these provisions. The non-federal share of the supplemental reimbursement submitted to the Centers for Medicare and Medicaid Services for purposes of claiming federal financial participation must be paid and certified as specified in the bill.

The bill delineates the process for when an applicable governmental entity elects to seek supplemental reimbursement on behalf of an eligible provider owned or operated by, or contracted with the entity.

The bill authorizes the department to seek any necessary federal approvals for the implementation of the provisions of the bill and permits the department to limit the program to those costs that are allowable expenditures under Title XIX of the Social Security Act.

The bill authorizes the department to design and implement in consultation and coordination with eligible providers an intergovernmental transfer program relating to ground emergency medical transport services, including specified services, in order to increase capitation payments for the purpose of increasing reimbursement to eligible providers. A provider is eligible for increased reimbursement under this section only if the provider meets certain conditions in an applicable state fiscal year. To the extent intergovernmental transfers are voluntarily made by and accepted from an eligible provider or a governmental entity affiliated with an eligible provider, the department must make increased capitation payments as specified in the bill to applicable MO HealthNet managed care plans and coordinated care organizations for covered ground emergency medical transportation services.

FISCAL DESCRIPTION (continued)

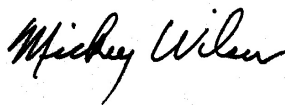
The intergovernmental transfer program must be implemented on the date federal approval is obtained, and only to the extent intergovernmental transfers from the eligible provider, or the governmental entity with which it is affiliated, are provided for this purpose. The department must implement the intergovernmental transfer program and increased capitation payments on a retroactive basis as permitted by federal law. Participation in the intergovernmental transfers is voluntary on the part of the transferring entities for purposes of all applicable federal laws.

The bill specifies conditions of participation for MO HealthNet managed care plans, coordinated care organizations, eligible providers, and governmental entities affiliated with eligible providers. The provisions of the bill must be implemented only if and to the extent federal financial participation is available and is not otherwise jeopardized, and any necessary federal approvals have been obtained. To the extent that the director of the department determines that the payments made under the provisions of the bill do not comply with federal Medicaid requirements, the director retains the discretion to return or not accept an intergovernmental transfer, and may adjust payments as necessary to comply with federal Medicaid requirements.

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 Health and Senior Services
St. Louis County
Callaway County
Mississippi County
Cass Regional Medical Center
University of Missouri Health Care



Mickey Wilson, CPA
Director
April 19, 2016

Ross Strobe
Assistant Director
April 19, 2016