COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2188-01
Bill No.: HB 925
Subject: Public Assistance; Medicaid; Social Services Department
Type: Original
Date: April 12, 2013

Bill Summary: This proposal changes the requirements for providing comprehensive health care for public assistance recipients.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Unknown, could exceed $4,702,110)	(Unknown, could exceed $9,744,315)	(Unknown, could exceed $10,090,278)
Total Estimated Net Effect on General Revenue Fund	**(Unknown, could exceed $4,702,110)**	**(Unknown, could exceed $9,744,315)**	**(Unknown, could exceed $10,090,278)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Other State	$2,074,840	$4,243,045	$4,433,983
Total Estimated Net Effect on Other State Funds	**$2,074,840**	**$4,243,045**	**$4,433,983**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Federal*	$0	$0	$0
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**

*** Income, savings, expenditures and losses net to $0.**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)** state:

Section 208.166.3b:

Statewide utilization of managed care for healthy adults and children is expected to result in savings beginning mid-year in FY 14. FY 14 projected savings for all funds is $11,932,804; FY 15 projected savings for all funds is $24,402,580; and FY 16 projected savings for all funds is $25,500,697.

Section 208.166.2:

Based on an analysis from the MO HealthNet actuary dated February 24, 2012, if the current Managed Care population were to receive their pharmacy benefits through the managed care plans, the net cost to MO HealthNet would be an additional $37,029,374 per year. A 3.9% growth rate was applied for fiscal years 2015 and 2016.

NET IMPACT: Increase in Pharmacy costs for current managed care group less savings for statewide managed care for all healthy Medicaid recipients:

	FY 2014	FY 2015	FY 2016
GR	($4,602,110)	($9,644,315)	($9,990,279)
Other	$ 2,074,839	$4,243,045	$4,433,983
FF	($4,054,614)	($8,669,671)	($8,916,996)
Total	($6,581,886)	($14,070,941)	($14,473,292)

At the present time, retail pharmacies statewide are charged a provider assessment tax that is used as a funding source to draw down federal Medicaid matching funds. Pursuant to the conditions in Section 338.550, the entire pharmacy provider assessment tax could no longer be a viable source of revenue. It may be the pharmacy providers that currently purchase drugs for Medicaid recipients would no longer be purchasing those drugs for Medicaid recipients. As managed care organizations would be paid a capitated rate by the state that would include drug costs, the managed care company could become the "buyer" of the drugs, not the pharmacies. If this is determined to be the case, the state would no longer be allowed to charge the pharmacy provider assessment tax. FY 12 total revenue from this assessment tax was $95,230,655. Losing the pharmacy provider assessment tax would result in a significantly increased need for General Revenue funds, potentially exceeding $100,000,000 annually . DSS assumes a start date of January 1, 2014.

ASSUMPTION (continued)

Oversight assumes the potential loss of the pharmacy provider assessment tax to be speculative and is not including this potential loss in the impact statement of the fiscal note.

Officials from the **Department of Health and Senior Services (DHSS)** state that in the proposed legislation, managed and coordinated care programs could be available statewide for Healthy Children and Youth (HCY) clients. Many areas of the state do not currently have the option for managed care services. The fiscal impact on the HCY program depends on how and where the expansion is implemented. Therefore, the fiscal impact is unknown.

Officials from the **Department of Mental Health (DMH)** state the existing managed care contracts provide the following DMH services on a fee-for-service (FFS) basis when provided by a DMH certified provider: 1) community psychiatric rehabilitation, 2) comprehensive substance abuse treatment and rehabilitation, 3) targeted case management, and 4) developmental disabilities waiver services. Per MO HealthNet Division (MHD), these services would continue to be carved-out of the health plan benefit package; therefore, the result would be no fiscal impact to DMH.

The proposed language also requires pharmacy to be included in the health plan benefit package under the statewide managed care expansion for all populations. The Centers for Medicare & Medicaid Services (CMS) requires Medicaid Managed Care pharmacy benefits to be comparable to FFS, and historically, managed care participants had the opportunity to appeal Managed Care Pharmacy denials to MHD for review under the FFS Pharmacy criteria. Without the ability to appeal, participants may be denied access to medications resulting in increased hospitalizations and DMH being responsible for these additional medical costs. Also, Managed Care plans are not required to submit encounter data daily, while FFS providers submit encounter data through CyberAccess in real time. The delay in pharmacy encounter claims processing creates a barrier to appropriate medical care because DMH providers will not have immediate access to pharmacy utilization for DMH clients. The anticipated impact of the increased medical costs is unknown, but greater than $100,000

The overall fiscal impact of this legislation is an unknown cost, but greater than $100,000.

FISCAL IMPACT - State Government	FY 2014 (6 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
Savings - DSS			
Statewide managed care	$2,458,466	$5,027,562	$5,253,802
Costs - DSS			
Increased program pharmacy costs	($7,060,576)	($14,671,877)	($15,244,080)
Costs - DMH (§ 208.166)			
Increase in program costs for statewide managed care plan	(Unknown, greater than $100,000)	(Unknown, greater than $100,000)	(Unknown, greater than $100,000)
Costs - DHSS (§ 208.166)			
Program costs for statewide managed care plan	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**(Unknown, could exceed $4,702,110)**	**(Unknown, could exceed $9,744,315)**	**(Unknown, could exceed $10,090,278)**
OTHER STATE FUNDS			
Savings - DSS			
Statewide managed care	$2,074,840	$4,243,045	$4,433,983
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	**$2,074,840**	**$4,243,045**	**$4,433,983**

FISCAL IMPACT - State Government	FY 2014 (6 Mo.)	FY 2015	FY 2016
FEDERAL FUNDS			
Income - DSS			
Increased reimbursements for pharmacy expenditures	$11,454,111	$23,801,643	$39,973,987
Income - DMH (§ 208.166)			
Increased program reimbursements for statewide managed care plan	Unknown, greater than $100,000	Unknown, greater than $100,000	Unknown, greater than $100,000
Savings - DSS			
Reduction in expenditures due to statewide managed care	$7,399,498	$15,131,973	$15,812,912
Costs - DSS			
Increased pharmacy expenditures	($11,454,111)	($23,801,643)	($39,973,987)
Costs - DMH (§ 208.166)			
Increased program expenditures for statewide managed care plan.	(Unknown, greater than $100,000)	(Unknown, greater than $100,000)	(Unknown, greater than $100,000)
Loss - DSS			
Reduction in expenditures due to statewide managed care	($7,399,498)	($15,131,973)	($15,812,912)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2014 (6 Mo.)	FY 2015	FY 2016
	$0	**$0**	**$0**

HWC:LR:OD

FISCAL IMPACT - Small Business

Small business health care providers may see an increase in reimbursement rates and in the number of clients they serve.

FISCAL DESCRIPTION

This proposal changes the laws regarding medical assistance. The Department of Social Services must maximize the use of existing contracted prepaid health plans and other alternative service delivery and reimbursement methodologies to facilitate the cost-effective purchase of comprehensive health care, including pharmacy benefits and services. The department must permit each prepaid health plan to have full control over its formulary and preferred drug list (PDL).

The proposal requires the department to reimburse those health care plans that have an existing contract with the department on a prepaid capitated basis. The department must initiate statewide managed coordinated care programs and ensure reasonable access to medical services in all geographic regions in Missouri currently identified as Eastern, Central, and Western. Each current geographical region will be expanded to include designated counties that are not currently part of MO HealthNet managed care so that each county in the state is within a region currently participating in managed care. The Medicaid-eligible residents must participate in the Medicaid managed care program and receive public assistance from the prepaid health plans, health maintenance organizations, health insuring organizations, or preferred provider organizations currently under contract with the state.

The department is required to seek all necessary federal review and approval to qualify for and authorize the modifications to the current managed care waiver and to expand the existing contract, geographic regions, benefits and services to the eligible populations created by the proposal.

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

HWC:LR:OD

Ross Strope
Acting Director
April 12, 2013

HWC:LR:OD