

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0965-01
Bill No.: HB 298
Subject: Physical Therapist; Insurance - Health
Type: Original
Date: April 3, 2017

Bill Summary: This proposal specifies the minimum reimbursement amount for covered physical therapy services delivered under health benefit plans.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(Unknown, Greater than \$5,502,863)	(Unknown, Greater than \$11,501,390)	(Unknown, Greater than \$11,848,900)
Total Estimated Net Effect on General Revenue	(Unknown, Greater than \$5,502,863)	(Unknown, Greater than \$11,501,390)	(Unknown, Greater than \$11,848,900)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Other State Funds	(Unknown, Greater than \$62,500)	(Unknown, Greater than \$75,000)	(Unknown, Greater than \$75,000)
Total Estimated Net Effect on Other State Funds	(Unknown, Greater than \$62,500)	(Unknown, Greater than \$75,000)	(Unknown, Greater than \$75,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Federal Funds	(Unknown, Greater than \$95,833)	(Unknown, Greater than \$115,000)	(Unknown, Greater than \$115,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown, Greater than \$95,833)	(Unknown, Greater than \$115,000)	(Unknown, Greater than \$115,000)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

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 2018	FY 2019	FY 2020
Local Government	(\$494,320)	(\$988,639)	(\$988,639)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services - MO Healthnet Division (MHD)** state this bill establishes a minimum payment schedule for physical therapy services when provided by a health benefit plan. Beginning January 2018, reimbursement to a physical therapy provider for services provided under a health benefit plan cannot be less than 130% of Medicare.

This legislation revises Chapter 376, RSMo, by specifying a minimum reimbursement amount for covered physical therapy services delivered under a health benefit plan by a health carrier. Health carriers are defined in Chapter 376, RSMo, to include Health Maintenance Organizations (HMO). The MO HealthNet Managed Care health plans that provide services to MO HealthNet Managed Care members are considered HMOs. Since there is no specific exemption for the HMOs that provide services to MO HealthNet Managed Care members, it is assumed they will be impacted by this legislation. If the HMOs that MO HealthNet contracts with are required to comply with this legislation, and increase reimbursement to 130% of Medicare, it will increase the rates MO HealthNet pays the contracted HMOs. Under current contractual requirements, HMO rates generally follow the FFS fee schedule.

In SFY 2016, the MO HealthNet fee-for-service (FFS) program provided payment for physical therapy services in the amount of \$8,628,611. Currently, physical therapy is a covered service for children only. Based on the SFY 2017 MO HealthNet Provider Reimbursement Rate Study, FFS rates for physician-related services (i.e. physical therapy) were reimbursed 58% of Medicare rates on average. The estimated cost to increase rates to 130% of Medicare would be \$10,711,379. As of October 2016, there were 210,978 children receiving services in the FFS program. The annual cost per FFS child to increase the reimbursement from 58% to 130% would be \$50.77 (\$10,711,379 / 210,978 children).

Because most children will be served in managed care in SFY 2018, the cost per child increase is applied to the estimated number of managed care children of 632,255 (based on October 2016 child enrollment). Therefore, the estimated annual impact to managed care is estimated at \$32,099,586 (\$50.77 FFS increase * 632,255). MHD assumes a 6 month impact in the first year (SFY 2018). A 4.1% inflationary factor was applied to FY19 and FY20. However, because the costs are based on a FFS model, the costs are offset by managed care savings.

ASSUMPTION (continued)

Savings are expected under managed care because Missouri expects the MCOs to improve the quality of care for the beneficiaries and to ultimately reduce the utilization of services and/or shift services to a more appropriate setting. Based on results from the Managed Care Cost Avoidance Study which examined a mature managed care model, MO HealthNet assumes 2.2% savings in the third year (SFY 2020). MHD assumes these savings would be phased in beginning the second year, so only 1.1% savings are applied in SFY 2019. There are no managed care savings in the first year of implementation (SFY 2018).

An actuarial review of the proposed language, which would be a one-time cost of \$50,000, would be required to determine the actual impact of the program change.

Further, in SFY 2016, MO HealthNet provided payment for reimbursement of physical therapy services performed under an Individualized Education Program (IEP) to MO HealthNet children to public schools in the amount of \$1,568,567. This amount represents only the federal share, as the public schools are required to provide the state share of the costs. Based on the SFY 2017 MO HealthNet Provider Reimbursement Rate Study, physician-related services (i.e. physical therapy) were reimbursed 58% of Medicare rates on average. The cost to increase rates to 130% of Medicare would be \$1,947,186 (all federal funds).

Outside of the school-based IEP services, MHD assumes this legislation will have no impact on FFS rates.

Officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assume this proposal specifies the minimum reimbursement amount for covered physical therapy services delivered under health benefit plans. Although this legislation does not apply to MCHCP as MCHCP is not a health benefit plan as defined in 376.1350, MCHCP believes it could have a fiscal impact as the negotiated amounts between providers and the contracted third party administrators may be adjusted to conform to this legislation. Consequently, MCHCP assumes a decrease in the level of discounts provided by network vendors. Based on these assumptions, the fiscal impact of this legislation is unknown but greater than \$500,000 annually.

Oversight will use the DSS and MCHCP estimated cost as well as show a cost to school districts to represent the required state share of cost for physician-related services (physical therapy).

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Health and Senior Services** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Cost - DSS</u>			
Program Distributions	(\$5,736,196)	(\$11,811,390)	(\$12,158,900)
Actuarial Study	<u>(\$25,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Cost - DSS</u>	<u>(\$5,761,196)</u>	<u>(\$11,811,390)</u>	<u>(\$12,158,900)</u>
<u>Cost - MCHCP</u>			
Decreased Discounts	(Unknown, Greater than <u>\$258,333</u>)	(Unknown, Greater than <u>\$310,000</u>)	(Unknown, Greater than <u>\$310,000</u>)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Unknown, Greater than \$5,502,863)</u>	<u>(Unknown, Greater than \$11,501,390)</u>	<u>(Unknown, Greater than \$11,848,900)</u>
OTHER STATE FUNDS			
<u>Cost - MCHCP</u>			
Decreased Discounts	(Unknown, Greater than <u>\$62,500</u>)	(Unknown, Greater than <u>\$75,000</u>)	(Unknown, Greater than <u>\$75,000</u>)
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(Unknown, Greater than \$62,500)</u>	<u>(Unknown, Greater than \$75,000)</u>	<u>(Unknown, Greater than \$75,000)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2018 (10 Mo.)	FY 2019	FY 2020
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FEDERAL FUNDS

Income - DSS

Program Reimbursements	\$11,312,190	\$23,263,728	\$23,971,655
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Cost - DSS

Program Distributions	(\$11,287,190)	(\$23,263,728)	(\$23,971,655)
Actuarial Study	<u>(\$25,000)</u>	<u>\$0</u>	<u>\$0</u>
Total Cost - DSS	<u>(\$11,312,190)</u>	<u>(\$23,263,728)</u>	<u>(\$23,971,655)</u>

Cost - MCHCP

Decreased Discounts	(Unknown, Greater than <u>\$95,833</u>)	(Unknown, Greater than <u>\$115,000</u>)	(Unknown, Greater than <u>\$115,000</u>)
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ESTIMATED NET EFFECT ON FEDERAL FUNDS	(Unknown, Greater than <u>\$95,833</u>)	(Unknown, Greater than <u>\$115,000</u>)	(Unknown, Greater than <u>\$115,000</u>)
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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SCHOOL DISTRICTS

Cost - School Districts	<u>(\$494,320)</u>	<u>(\$988,639)</u>	<u>(\$988,639)</u>
Increase in physical therapy			

ESTIMATED NET EFFECT TO SCHOOL DISTRICTS	<u>(\$494,320)</u>	<u>(\$988,639)</u>	<u>(\$988,639)</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill establishes a minimum payment schedule for physical therapy services. Beginning in 2018, reimbursement to a physical therapy provider for services provided under a health benefit plan cannot be less than that minimum payment schedule. Except the minimum payment schedule does not apply when the physical therapy services are provided during a hospital inpatient setting or at an outpatient clinic, a skilled nursing facility, or through a home health benefits delivery system and the payment is made directly to the facility.

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 Insurance, Financial Institutions and Professional Registration
Department of Health and Senior Services
Department of Social Services
Missouri Consolidated Health Care Plan



Mickey Wilson, CPA
Director
April 3, 2017

Ross Strope
Assistant Director
April 3, 2017

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