

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2477-01
Bill No.: HB 1235
Subject: Medicaid/MO HealthNet
Type: Original
Date: April 5, 2019

Bill Summary: This proposal modifies provisions for MO HealthNet reimbursement rates.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$25,000 to Unknown greater than \$100,000)	(\$0 to Unknown greater than \$100,000)	(\$0 to Unknown greater than \$100,000)
Total Estimated Net Effect on General Revenue	(\$25,000 to Unknown greater than \$100,000)	(\$0 to Unknown greater than \$100,000)	(\$0 to Unknown greater than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenses \$0 to unknown greater than \$100,000 annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§208.445 - MO HealthNet reimbursement rates to nonparticipating hospitals

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state this legislation revises Chapter 208, RSMo, by adding one section that requires any Managed Care Organizations (MCO) contracted with MO HealthNet (MHN) on or after July 1, 2019, to reimburse a non-participating hospital no less than 100% of the MHN Fee-for-Service rate schedule effective on the date the service was provided by the hospital.

Effective July 1, 2018, the contracts with the MCOs that provide services to MO HealthNet Managed Care members were revised to require the MCOs to contract with non-participating hospitals at 90% of the Fee-for-Service fee schedule effective on the date of service. It was believed that the MCOs generally contracted with non-participating hospitals at 100% of the fee schedule. The intent of the 90% provision was to increase provider participation in the Managed Care Program. It is assumed there would be a savings from the 90% provision. If this requirement is passed, the assumed savings would need to be analyzed to determine if there needs to be an adjustment to the rates.

Therefore, the Managed Care capitation rates could increase by an unknown amount for this change. DSS estimates the actuarial cost to evaluate this program change to the Managed Care capitation rates to be no more than \$50,000. Since the effective date is July 1, 2019, this reimbursement change would impact rates beginning in State Fiscal Year (SFY) 2020 and beyond.

Oversight contacted DSS, MHD officials regarding the potential cost of increasing the payment cap from 90% to 100% of the fee-for-service MO HealthNet rates for hospitals that are not members of the Managed Care Organizations (MCO) provider network. Officials believe there would be an increase in MO HealthNet payments based on contact with their actuary (Mercer). Mercer assumes the increase in payment rates to Managed Care Organizations is unknown but would be at least \$100,000 annually.

Oversight notes DSS will incur at least a \$50,000 cost in FY 2020 for the actuarial study (split 50%/50% GR and Federal funds). Based on the results of the actuarial study, MCO capitated payment rates may not increase at all (\$0) or could increase by an amount that is unknown but greater than \$100,000 to GR and unknown greater than \$100,000 to Federal funds annually. Therefore, Oversight will present costs to GR as (\$25,000 to Unknown greater than \$100,000) for FY 2020 and (\$0 to Unknown greater than \$100,000) for FYs 2021 and 2022.

ASSUMPTION (continued)

Officials from the **Office of Administration (OA), Division of Budget & Planning (B&P)** state this proposal has no direct impact on B&P. In addition, this proposal has no direct impact on general or total state revenues and it will not impact the calculation pursuant to Article X, Section 18(e).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect no fiscal impact to the B&P for fiscal note purposes.

Officials from the **Cass Regional Medical Center** stated they are a Medicaid managed care provider so this legislation would have no fiscal impact on their organization.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect no fiscal impact to Cass Regional Medical Center for fiscal note purposes.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other hospitals were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

Oversight notes this proposal has an emergency clause.

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Costs - DSS (\$208.445)</u>			
Actuarial study cost	(\$25,000)	\$0	\$0
Increase in managed care capitated payment rates	<u>(\$0 to Unknown greater than \$100,000)</u>	<u>(\$0 to Unknown greater than \$100,000)</u>	<u>(\$0 to Unknown greater than \$100,000)</u>
Total <u>Costs</u> - DSS	<u>(\$25,000 to Unknown greater than \$100,000)</u>	<u>(\$0 to Unknown greater than \$100,000)</u>	<u>(\$0 to Unknown greater than \$100,000)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$25,000 to Unknown greater than \$100,000)</u>	<u>(\$0 to Unknown greater than \$100,000)</u>	<u>(\$0 to Unknown greater than \$100,000)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
FEDERAL FUNDS			
<u>Income - DSS (\$208.445)</u>			
Increase in program reimbursements	\$25,000 to Unknown greater than \$100,000	\$0 to Unknown greater than \$100,000	\$0 to Unknown greater than \$100,000
<u>Costs - DSS (\$208.445)</u>			
Actuarial study costs	(\$25,000)	\$0	\$0
Increase in managed care capitated payment rates	<u>(\$0 to Unknown greater than \$100,000)</u>	<u>(\$0 to Unknown greater than \$100,000)</u>	<u>(\$0 to Unknown greater than \$100,000)</u>
Total <u>Costs</u> - DSS	<u>(\$25,000 to Unknown greater than \$100,000)</u>	<u>(\$0 to Unknown greater than \$100,000)</u>	<u>(\$0 to Unknown greater than \$100,000)</u>
 ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020	FY 2021	FY 2022
	<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

Beginning July 1, 2019, this bill requires any MO HealthNet managed care organization to reimburse a nonparticipating hospital no less than 100% of the MO HealthNet fee-for-service fee schedule rate effective on the date the service was provided by the hospital.

This bill has an emergency clause.

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 Social Services
Office of Administration -
 Division of Budget & Planning
Cass Regional Medical Center



Kyle Rieman
Director
April 5, 2019

Ross Strobe
Assistant Director
April 5, 2019