

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2477-02  
Bill No.: HCS for HB 1235  
Subject: Medicaid/MO HealthNet  
Type: Original  
Date: April 25, 2019

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$84,412 to greater than \$184,412)	(\$35,135 to greater than \$135,135)	(\$35,873 to greater than \$135,873)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$84,412 to greater than \$184,412)</b>	<b>(\$35,135 to greater than \$135,135)</b>	<b>(\$35,873 to greater than \$135,873)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<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>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
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 \$0 to unknown greater than \$100,000 annually and net to \$0.

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

## 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.

In response to the previous version of this proposal, 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](http://www.legislativeoversight.mo.gov).

§376.690 - Unanticipated out-of network care

Officials from the **Department of Social Services (DSS)** assume this legislation revises Chapter 376, which pertains to Health Maintenance Organizations (HMO). The health plans that contract with the state to provide health services in the MO HealthNet Managed Care Program are licensed as HMOs, therefore without a specific exemption, this legislation could pertain to these health plans.

This legislation revises legislation passed in FY 2018 that outlines reimbursement requirements and an arbitration system for reimbursement disputes for out-of-network providers providing "unanticipated out-of-network care" defined as services received in an in-network facility from an out-of-network provider when the patient presents with an emergency medical condition.

The legislation passed in FY 2018 was permissive and allowed for this reimbursement and arbitration system, and required an effective date of January 1, 2019. The current bill requires this reimbursement, the arbitration process and removes the January 1, 2019, effective date.

ASSUMPTION (continued)

Currently, the MO HealthNet Managed Care contract requires that non-participating providers be reimbursed at 90% of the Fee-for-Service fee schedule. There are exceptions to this requirement including emergency services and "other non-participating reimbursement rates required by law or in the contract". Currently, emergency services provided by an out-of-network provider must be paid at no lower than the current MO HealthNet program rates in effect at the time of service.

If the proposed legislation passes and the MO HealthNet Managed Care contract would need to be amended to align non-participating reimbursement with the legislation, it would be assumed that unanticipated out-of-network care would be reimbursed at a rate higher than the current FFS fee schedule reimbursement. Given the negotiation process outlined and the connection of "reasonable" reimbursement to commercial levels, the "reasonable" level of reimbursement in Medicaid is not aligned with the negotiation benchmarks. This is true whether the MCO Medicaid contract required reimbursement at 90% of Medicaid FFS for non-participating providers or if the Medicaid FFS was required. It is assumed that the Managed Care capitation rates would increase at least \$100,000 for this change. We estimate the actuarial cost to evaluate this program change to the Managed Care capitation rates to be no more than \$50,000. Below splits are based on FMAP rate with a 2.10% medical inflation rate for FY21 and FY22.

FY 2020: Total (\$150,000) - (GR \$59,412; FF \$90,588);  
FY 2021: Total (\$102,100) - (GR \$35,135); FF \$66,965); and  
FY 2022: Total (\$104,244) - (GR \$35,873; FF \$68,372).

Until the FY20 budget is finalized, the Department cannot identify specific appropriations.

**Oversight** notes that costs for capitation rate increases would be split 35.412% state funds and 65.588% federal funds. Costs for actuarial studies are split equally between state and federal funds.

Bill as a whole

**Oversight** notes the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Mental Health** have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

**Oversight** notes this proposal has an emergency clause.

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DSS (\$208.445)</u>			
Actuarial study cost	(\$25,000)	\$0	\$0
Increase in managed care capitated payment rates	\$0 to (Unknown greater than \$100,000)	\$0 to (Unknown greater than \$100,000)	\$0 to (Unknown greater than \$100,000)
 <u>Costs - DSS (\$376.690)</u>			
Increase in Managed Care capitation rates	(\$34,412)	(\$35,135)	(\$35,873)
Actuarial Study	<u>(\$25,000)</u>	<u>\$0</u>	<u>\$0</u>
 <b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	 <b><u>(\$84,412 to greater than \$184,412)</u></b>	 <b><u>(\$35,135 to greater than \$135,135)</u></b>	 <b><u>(\$35,873 to greater than \$135,873)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
<b>FEDERAL FUNDS</b>			
<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>Income - DSS (\$376.690)</u>			
Increase in Managed Care capitation rates	\$65,588	\$66,965	\$68,371
Actuarial Study	\$25,000	\$0	\$0
<u>Costs - DSS (\$208.445)</u>			
Actuarial study costs	(\$25,000)	\$0	\$0
Increase in managed care capitated payment rates	\$0 to (Unknown greater than \$100,000)	\$0 to (Unknown greater than \$100,000)	\$0 to (Unknown greater than \$100,000)
<u>Cost - DSS (\$376.690)</u>			
Increase in Managed Care capitation rates	(\$65,588)	(\$66,965)	(\$68,371)
Actuarial Study	<u>(\$25,000)</u>	<u>\$0</u>	<u>\$0</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 2020	FY 2021	FY 2022
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

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. (§208.445)

This act specifies that health care professionals shall, rather than may, utilize the process outlined in statute for claims for unanticipated out-of-network care. (§376.690)

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 Health and Senior Services  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Mental Health  
Department of Social Services  
Office of Administration -  
    Division of Budget & Planning  
Cass Regional Medical Center



Kyle Rieman  
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April 25, 2019

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April 25, 2019