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Fiscal Note

Fiscal Services Division

SF 2213 – Medicaid Program Improvement (LSB5711SV)
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Fiscal Note Version – New

Description

Senate File 2213 is a comprehensive Medicaid oversight bill that includes the following changes:

- Creates a workgroup to review Medicaid program integrity activities. The workgroup is required to provide findings and recommendations to the Governor and General Assembly by November 15, 2016.
- Creates a Medicaid reinvestment fund for the deposit of savings related to and realized from Medicaid managed care. Moneys in the fund are subject to appropriation by the General Assembly for the Medicaid program.
- Provides additional duties and authority to the Office of Long-Term Care Ombudsman relating to providing advocacy services and assistance for Medicaid recipients who receive long-term services and supports.
- Updates the membership of the Medical Assistance Advisory Council (MAAC) and the executive committee of the MAAC. The bill also provides for the creation of subcommittees of the council relating to stakeholder safeguards; long-term services and supports; transparency, data, and program evaluation; and program integrity.
- Directs the Patient-Centered Health Advisory Council to assess the health resources and infrastructure of the state to recommend more appropriate alignment with changes in health care delivery and the integrated, holistic, population health-based approach to health and health care and directs the council to perform an initial review and submit a report by January 1, 2017, to the Governor and the General Assembly, and to report annually on January 1 thereafter.
- Directs the Department of Human Services (DHS) and other appropriate entities to undertake specific tasks relating to Medicaid program policy improvement in the areas of consumer protection; children; provider rates; provider participation enhancement; capitation rates and medical loss ratio; and data and information, evaluation, and oversight.

Assumptions

- The workgroup charged with reviewing program integrity will need to contract for additional time with Iowa Medicaid Enterprise vendors for support.
- The provision requiring the DHS to deposit all savings related to Medicaid into the new Medicaid Reinvestment Fund includes the initial savings of $51.0 million (reduced to $24.6 million due the delayed implementation beginning April 1, 2016) and the $111.0 to $120.0 million in savings estimated for FY 2017. If these savings are not appropriated to Medicaid, the loss of the funds will increase the Medicaid shortfall by the amount redirected for other purposes.
- Additional duties of the MAAC may require the DHS to contract for additional professional expertise. The estimate assumes 160 hours of work for the four MAAC subcommittees annually at an average rate of $175 per hour.
- The Patient-Centered Health Advisory Council will contract with one of the state universities to complete the workforce study.

- All administrative activities performed by the DHS are matched with a 50.0% Federal Medical Assistance Percentage (FMAP) rate.
- All services, specifically provider rate increases in the bill and savings, are matched with a 56.28% federal FMAP rate.

Fiscal Impact

- Contracting with Iowa Medicaid Enterprise vendors for support will have an estimated state cost of $3,400 in FY 2017.
- Contracting for additional professional expertise for the MAAC will cost an estimating $28,000, half of this cost will be covered by federal funds.
- The bill permits the MAAC Council to enlist the support of entities such as the University of Iowa Public Policy Center for ongoing evaluation of the Medicaid program. Based on the current DHS contract with the Public Policy Center for the Iowa Health and Wellness Program, it is estimated that for an evaluation of the Medicaid program will cost the state $900,000.
- Additional duties assigned to the Patient-Centered Health Advisory Council will require up to six additional meetings and four subcommittee meetings with an additional cost of $10,000 for mileage and other meeting costs.
- The Patient-Centered Health Advisory Council will contract with one of the state universities to complete the workforce study. The Department of Public Health contracted with the University of Iowa for a similar study at a cost of $85,000.
- The provision requiring the Managed Care Organizations (MCOs) to enter into a single case agreement with an out-of-network case manager after the six-month transition may have a fiscal impact but it cannot be determined at this time.
- The provision requiring verification of actual receipt of services, supports, and value-added services will require the DHS to contract with a vendor to verify that services are both provided and received. It is assumed the state cost of a contract to do this will be $100,000.
- The provision requiring cost-based reimbursement for critical access hospitals with retroactive reimbursement for underpayments is estimated to cost the state $4.0 million in FY 2017 and FY 2018.
- The provision requiring a 3.0% annual provider rate increase beginning in FY 2018 is estimated to cost the state $7.4 million and compounding annually thereafter based on $245.6 million in total expenditures in FY 2015.
- The provision requiring regular audits of the MCO contracts to ensure compliance with appropriate medical costs, allowable administrative costs, medical loss ratio, rebates, recoveries, overpayments, and other contract performance requirements is estimated to cost $160,000 per MCO, for a total of $480,000.

Summary of Fiscal Impact

SF 2213 is estimated to cost the General Fund $5.6 million in FY 2017 and $12.9 million in FY 2018. This assumes the managed care savings derived from the initial capitation rates are used to fund Medicaid in FY 2017 and FY 2018 and not redirected for other purposes. The fiscal impact may be reduced by $914,000 in both FY 2017 and FY 2018 if the DHS does not contract for the additional professional services and program evaluation through the MAAC Council. The language providing an annual hospital provider rate increase will increase costs by 3.0% year-over-year in perpetuity.

The following table summarizes the fiscal impact based upon the above assumptions.

Estimated Fiscal Impact - Medicaid Program Improvement

Activity	FY 2017	FY 2018
Program Integrity Workgroup	$ 3,400	$ -
MAAC Consulting Costs (160 hrs X $175/hr) and 50% federal	14,000	14,000
MAAC Evaluation Costs	900,000	900,000
Verification of Services	100,000	100,000
Additional Meetings Patient-Centered Advisory Council	10,000	10,000
Patient-Centered Advisory Council Workforce Study	85,000	-
Critical Access Hospital Reimbursement	4,000,000	4,000,000
3.0% Hospital Provider Rate Increase	-	7,400,000
Managed Care Organization Audit	480,000	480,000
Total State Cost	**$ 5,592,400**	**$ 12,904,000**

Sources

Department of Public Health
Department of Human Services

/s/ Holly M. Lyons

February 29, 2016

The fiscal note for this bill was prepared pursuant to **Joint Rule 17** and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.