

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 2539 – Health Care Reform (LSB 6541 HV)

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Fiscal Note Version – New

Description

House File 2539 defines a plan for healthcare reform in Iowa including health care coverage intended for children and adults, health information technology, end-of-life care decision-making, pre-existing conditions and dependent care coverage, medical homes, prevention and chronic care management, a buy-in provision for certain individuals under the medical assistance program, and disease prevention and wellness initiatives.

Total Fiscal Impact

The total fiscal impact of House File 2539 is an estimated General Fund cost of \$2.5 million each year for FY 2009 and FY 2010.

Although there is no appropriation in the Bill, future resources needed to fund legislative intent is estimated to be up to \$30.8 million annually, with an additional \$6.6 million for every 1.0% provider rate increase given to Medicaid providers.

The fiscal impact and related assumptions are discussed in the following paragraphs.

Division I specifies that it is the intent of the General Assembly to progress toward health care coverage for all Iowans, with the initial priority of covering children.

Assumptions

- With no mandate it is unclear how many parents would sign their children up for Medicaid or hawk-i Programs.
- The Department of Human Services will expand the hawk-i Program to children of families with incomes up to 300.0% of the Federal Poverty Level (FPL) if future approval is granted by the federal government.
- The State share of the Federal Medical Assistance Percentage (FMAP) for FY 2009 is 37.60%.
- The State's share of the enhanced FMAP for the hawk-i Program for FY 2009 is 26.17%.

Fiscal Impact

Although there is no appropriation in the Bill, future resources needed to fund legislative intent is estimated to be up to \$21.4 million to insure all children below 300.0% of the federal poverty level.

Division II directs the Department of Public Health (DPH) to create a technical advisory group to assist in the establishment of a public and private collaborative effort to promote the use of health information technology.

Assumptions

- The Department of Public Health will create a Technology Advisory Group for Electronic Health Information and provide staff assistance for the State Health Information Plan as required by January 1, 2009. The Department will employ 3.0 FTE positions.

- The State will not increase reimbursement costs for health care professionals to pay for the utilization of the standard continuity of care record required by January 1, 2012, until legislation enacts the increase.

Fiscal Impact

Division II is estimated to cost the General Fund \$135,000 in FY 2009 and \$175,000 in FY 2010.

Division III requires the Department of Elder Affairs to work with outside groups to develop educational information for end-of-life care and terminally ill patients.

Assumptions

The Department of Elder Affairs (DEA) will develop the required end-of-life educational and patient-centered information.

Fiscal Impact

Division III is estimated to cost the General Fund \$10,000 in FY 2009 and \$2,000 in FY 2010.

Division IV requires group accident or health insurance contracts to permit continuation of existing coverage for an unmarried dependent child of an enrollee until the child is 26 years old or as long as the child is a college student. The Division also makes changes to pre-existing conditions exclusions.

Assumptions

- Group accident or health insurance contracts will include an option to permit continuation of existing coverage of a dependent child up to the age of 26 years old after July 1, 2008.
- Group accident or health insurance contracts will waive pre-existing condition exclusions or limitations in certain situations after July 1, 2008.
- The estimate of the premium increase for State employees is between \$400,000 and \$1.8 million.

Fiscal Impact

Division IV is estimated to cost the General Fund \$1.1 million each year for FY 2009 and FY 2010.

According to Wellmark Blue Cross and Blue Shield of Iowa, the impact on the small group market statewide could increase premiums between \$600,000 and \$2.4 million.

According to Wellmark Blue Cross and Blue Shield of Iowa, the impact on the individual market statewide could increase premiums between \$250,000 and \$1.5 million.

Division V directs the Department of Public Health to develop a plan for implementation of a statewide medical home system and directs the Department to work with the Department of Administrative Services and the Department of Human Services to make medical homes available for State employees and Medicaid and hawk-i Program recipients.

Division VI directs the Department of Public Health to establish a Prevention and Chronic Care Management Advisory Council and to work to develop and implement a State Initiative.

Assumptions

- The DPH will create the Medical Home Advisory Council and the Council will develop the Plan for the Statewide Medical Home System.
- The DPH will create the Prevention and Chronic Care Management Advisory Council and the Council will develop initial recommendations by July 1, 2009. The DPH will create the required Clinicians Advisory Panel.

- The DPH will employ 4.0 FTE positions.
- The State will not increase reimbursement costs or expand eligible costs for health care professionals for the services provided by the Medical Home System until legislation enacts the increase although Division VI permits the Board of Health to implement increases with only Board approval and requires the DHS to submit the State Plan Amendments to the federal Centers for Medicare and Medicaid Services (CMS) without additional legislation.
- The Department of Public Health will contract with the University of Iowa for \$50,000 in FY 2009 to assist with implementation of a statewide medical home system.
- The dental home for children requirement is delayed until December 31, 2010.

Fiscal Impact

Divisions V and VI are estimated to cost the General Fund \$260,000 in FY 2009 and \$274,000 in FY 2010.

Future resources needed to fund legislative intent are estimated to be \$9.0 million to implement a dental home for children.

Division VII requires the Department of Human Services to implement the Family Opportunity Act when the Department determines there is sufficient funding available. The Act adds a Medicaid buy-in provision for disabled individuals less than 19 years of age with family income or resources at or below 300.0% of the federal poverty level.

Assumptions

- Implementing the Family Opportunity Act would make an additional 100 children eligible for Medicaid the first year with an additional 40 children becoming eligible in subsequent years.
- The State share of the Federal Medical Assistance Percentage (FMAP) for FY 2009 is 38.21%.

Fiscal Impact

Future resources needed to fund legislative intent are estimated to be \$400,000 the first year and an additional \$200,000 in succeeding years to implement the Family Opportunity Act.

Division VIII establishes a seven-member medical assistance quality improvement council to evaluate the clinical outcomes and satisfaction of consumers and providers with the Medicaid program.

The Department of Human Services would be responsible for administrative staff, support, and expenses incurred by the members of the Medical Assistance Quality Improvement Council.

Fiscal Impact

No fiscal impact. The Department is currently in the process of implementing a group with these requirements.

Division IX establishes the Iowa Healthy Communities Initiative and Grant Program under the Department of Public Health to promote healthy lifestyles statewide.

Assumptions

- The DPH will establish the Iowa Healthy Communities Initiative. The Department will use up to 15.0% of any funds appropriated for the Healthy Community Initiatives Grants for administrative costs.
- The DPH will establish the Governor's Council on Physical Fitness and Nutrition and issue the required report by December, 1, 2008.

- The DPH will employ 2.0 FTE positions for the Council. The number of FTE positions for the initiative would depend upon the appropriation for the Health Community Initiatives Grants.

Fiscal Impact

Although no appropriation is provided, the Governor has recommended \$900,000 for the Health Community Initiatives Grant for FY 2009. At 15.0%, administrative costs would be \$135,000.

The estimated cost to the General Fund to implement the Governor's Council on Physical Fitness is \$124,000 in FY 2009 and \$66,000 in FY 2010.

Sources

Department of Public Health
Department of Human Services
Department of Elder Affairs
Wellmark Blue Cross and Blue Shield of Iowa
The Lewin Group

/s/ Holly M. Lyons

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
