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Memorandum
DRAFT

February 8, 2007

To: Interested Parties

From: Kerri Johannsen

Re: Comprehensive and Affordable Health Care for Small Businesses and Families Bill, Subject to Passage of Amendment LSB 1043JA.305

Description

This memo discusses the fiscal impact of the provisions in the proposed Comprehensive and Affordable Health Care for Small Businesses and Families Bill (LSB 1043JA24.3) subject to the passage of amendment LSB 1043JA.305. The Bill makes appropriations from a Health Care Improvement Fund, subject to the creation of that Fund by the Legislature.

The Bill as amended appropriates a total of \$90.6 million from the Health Care Improvement Fund, subject to the creation of the Fund. Unless otherwise noted, all appropriations mentioned in this memo are made from the Health Care Improvement Fund.

Fiscal Impacts

Division I

Medicaid Expansion

The Bill expands Medicaid to parents with incomes up to 50.0% of the Federal Poverty Level (FPL), currently \$10,325 per year for a family of four. There are currently an estimated 8,158 parents with children on Medicaid who would become eligible. The average cost for adults in Medicaid is \$4,168 per year. The total cost, both State and federal, of covering this group would be an estimated \$34.0 million. There is also a potential woodwork effect, for parents of children who are eligible but not currently enrolled in Medicaid, of an estimated 4,325 parents. Additionally, \$285,479 in State funds would be needed for increased administrative costs. The State share of the Federal Medical Assistance Percentage (FMAP) for FY 2008 is 38.21%. The total State cost for the expansion would be an estimated \$20.2 million.

DIVISIONS

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Hospital Reimbursement Rate

The Bill specifies that Medicaid is to reimburse hospitals at the Medicare rate starting in FY 2008 and going forward. The Medicare rate for inpatient hospital services is cost plus 4.0% and the outpatient Medicare rate is 92.0% of cost. The Iowa Hospital Association estimates that the cost would be \$20.0 million in State funds in FY 2008. The DHS estimates that the cost would be \$35.4 million in FY 2008. The midpoint of these two projections is an estimated FY 2008 cost of \$27.7 million.

IowaCare

The Bill provides for the coverage of drugs under the IowaCare Program. The average drug cost for adults in Medicaid is \$793.98 per year. The average enrollment in the IowaCare Program thus far is 15,256 people per month. The FMAP for FY 2008 is 38.21%. The estimated fiscal impact of providing coverage of medically necessary drugs in IowaCare would be a cost to the State of \$4.6 million in FY 2008.

The Bill also specifies that IowaCare clients with incomes below 100.0% of the FPL shall not pay premiums to the IowaCare Program. Iowa keeps only the State FMAP share of collected premiums. It is estimated that this change would result in a loss to the State of an estimated \$196,000 in premium income in FY 2008.

The Department of Human Services (DHS) is directed in the Bill to aggressively pursue expanding the IowaCare provider network. Additional funds may be necessary to provide State matching funds to accomplish this, although the potential fiscal impact cannot be determined at this time.

Elimination of Children's Mental Health Waiver Waiting List

The Bill appropriates \$2.6 million to eliminate the waiting list for the Medicaid Children's Mental Health (CMH) waiver. As of December 20, 2006, there were 381 children on the waiting list for this Waiver. The cost per child at that time was an estimated \$18,000 per year and the State match rate for FY 2008 is 38.21%. The appropriation would eliminate the waiting list based on this point-in-time estimate. As additional children beyond the 381 currently waiting applied for the Waiver, the waiting list would continue to grow.

Division II

Dental Home for Children

The Bill outlines a plan to establish a dental home for all children in the Medicaid Program. The plan includes:

- The purchase of portable dental equipment to Child Health Agencies to provide dental care in non-traditional settings.
 - The Bill appropriates \$1.6 million to the DHS for this purpose.
- Increase Child Health Agencies' capacity to track children's dental health information.
 - The Bill appropriates \$210,000 to the DHS for this purpose.
- Providing increased family education on children's oral health.
 - The Bill appropriates \$1.0 million to the DHS for this purpose.

- Providing increased children's oral health education to providers.
 - The Bill appropriates \$120,000 to the DHS for this purpose.
- Expanding the Department of Public Health's PRIMECARRE Program for loan repayment and recruitment of dentists and dental hygienists to underserved areas. The Bill appropriates \$550,000 to the Department of Public Health for this purpose.
- Requiring the DHS to contract with a provider through the RFP process to provide dental care to all Medicaid children.
 - Currently, the DHS pays a rate of \$18.40 per child per month for dental coverage under *hawk-i* with Delta Dental. An estimated 1,888,560 months of services were covered by Medicaid in FY 2006. If children's enrollment in Medicaid increase by 5.0% in both FY 2007 and FY 2008 2,082,137 months would be covered in FY 2008. Delta Dental estimates an administrative need of \$1.8 million. Based on these assumptions, the total cost of providing care to all Medicaid children through Delta Dental would be an estimated \$40.1 million for FY 2008.
 - In FY 2006, the State paid \$21.1 million for dental coverage of children in Medicaid. Increased by 5.0% for enrollment in FY 2007 and FY 2008, the savings to the State in Medicaid costs would be \$23.3 million. Since Medicaid children would now be covered by the provider that DHS contracts with, this amount would not be spent in FY 2008, resulting in a net cost of \$16.9 million.
 - The State share of the FY 2008 cost would be an estimated \$6.5 million.
- Unbundling dental services from other services provided under the Medicaid Early Periodic Screening, Diagnosis and Treatment (EPSDT) Program, developing reimbursements under Medicaid for provision of fluoride applications and oral exams by non-dental providers and increasing existing reimbursements for these services. This proposal would increase reimbursement for a fluoride application from an estimated average of \$12.61 to \$18.00 and would create a separate code for physician office oral health screenings that would carry a reimbursement rate of \$20.00. The I-Smile proposal documents include an estimated cost of \$3.5 million for this provision. The State share would be an estimated \$1.35 million. However, this is the total cost of providing fluoride applications and oral exams to Medicaid children, not just the increase over current spending. The actual necessary funding increase is likely to be less, but cannot be determined at this time, so is not included in the estimated fiscal impact calculation.
- Reinstating periodontal and endodontic services for adults in Medicaid.
 - The Bill appropriates \$684,000 to the DHS for this purpose.
- Working with rural hospitals to develop dental clinics.
- Partnering with Special Supplemental Nutrition Program for Women Infants and Children (WIC) Agencies, Head Start, Migrant and Community Health Centers, local Boards of Health, Head Start Programs; preschools; and schools to provide oral health support to families.
- Establishing a dental hygienist as lead oral health care coordinator at all Maternal and Child Health Agencies, WIC Clinics, local Boards of Health, Head Start Programs, preschools and schools.

Division III

Prescription Drug Information Website

The Bill requires the Insurance Commissioner to create and administer a website with information on accessing prescription drugs at reduced cost and to provide physicians,

pharmacists and consumers with an evidence-based, non-commercial source of prescription drug information. The Bill appropriates \$300,000 to the Insurance Commission for this purpose in FY 2008.

The Bill requires the DPH to develop a plan, in coordination with various interested parties, to ensure all-electronic prescribing by January 1, 2010. It also requires the DPH to report to the Legislature by January 1, 2008 on a plan for implementation of this requirement.

Division IV

Tobacco Use Prevention and Control

The Bill appropriates the following for tobacco use prevention and control to the DPH:

- \$1.1 million for Quitline Iowa.
- \$200,000 for Quit Net.
- \$2.0 million for patient materials and media promotion.
- \$1.1 million for additional grants for the Just Eliminate Lies (JEL) Program.
- \$1.0 million for expansion of the JEL media campaign.
- \$5.6 million for nicotine replacement therapy.

The total increase for tobacco use prevention and control is \$10.9 million.

Division VII

Safety Net Providers

The Bill requires the Iowa Collaborative Safety Net Provider Network to develop a pharmaceutical infrastructure for safety net providers, including:

- Identifying the most effective drug therapies.
- Creating a list of affordable pharmaceuticals.
- Purchasing pharmaceuticals for patients.
- Identifying therapies for an expanded list of pharmaceuticals.
- Identifying most appropriate therapies to provide patients through manufacturer assistance programs.
- Educating safety net patients, providers and pharmacists on findings.
- Identification of a pharmacy benefits manager.
- Expanding use of collaborative practice agreements between medical providers and pharmacists to most effectively utilize their expertise.
- The Bill appropriates \$1.0 million to the DPH for Pharmaceutical Infrastructure for Safety Net Providers.

The Bill requires the Iowa Collaborative Safety Net Provider Network to implement specialty care pilot projects in three Iowa communities that are underserved in the area of specialty care. This provision specifies that the projects are to include partnerships between hospitals, specialists, primary care providers, human services providers and community partners. The Bill also requires the projects to have an

evaluation component in order to collect data to be used to further develop specialty care in underserved areas of the State.

- The Bill appropriates \$1.0 million to the DPH for the implementation of the three specialty care pilot projects.

The Bill appropriates \$560,000 to the DPH to develop, in cooperation with the Iowa Collaborative Safety Net Provider Network, a statewide recruitment program for primary care providers.

The Bill appropriates \$30,000 to the DPH for ongoing evaluation of the Iowa Collaborative Safety Net Provider Network.

The Bill appropriates \$75,000 to the DPH for data collection by the Iowa Collaborative Safety Net Provider Network focusing on providing safety net patients with a medical home. The Bill also appropriates the following amounts to the DPH to be distributed as specified for infrastructure, statewide coordination, provider recruitment, service delivery, and provision of assistance to patients in obtaining a medical home:

- Rural Health Clinics: \$150,000
- Free Clinics: \$250,000 of which \$50,000 is required to be used to establish a statewide association for free clinics.
- Maternal and Child Health Centers for pilot projects in Cerro Gordo, Polk and Wayne counties: \$100,000.
- Local Boards of Health for pilot projects in Cerro Gordo, Polk and Wayne counties: \$100,000.
- Iowa Family Planning Network Agencies: \$100,000.
- Iowa-Nebraska Primary Care Association: \$100,000.

Community Health Centers

The Bill provides an appropriation of \$650,000 to the DPH to continue funding of the Community Health Centers Incubation Grant Program.

Division VIII

Children's Healthy Development Initiative

The Bill appropriates \$1.5 million to the Department of Education (DOE) to expand the federally-created early ACCESS Program and to provide incentives for collaboration with health care practitioners.

The Bill appropriates \$250,000 to the School Ready Children's Grants Account of the Iowa Empowerment Fund within the Department of Education for grants to local Empowerment Boards to establish local resources to address healthy child development needs.

The Bill appropriates \$750,000 to the DPH to continue existing pilot projects and begin to expand the healthy mental development initiative.

HOPES

The Bill expands the Healthy Opportunities for Parents to Experience Success (HOPES) and the Health Families in Iowa (HFI) Programs statewide and provides an appropriation of \$5.3 million to the DPH in FY 2008 for this purpose. The Program currently operates in nine counties at a cost to the State of \$850,000. The estimated increased need of \$5.3 million is based on an estimate generated by the DPH in August of 2005, adjusted for inflation of 3.0% for FY 2006 and FY 2007.

Division IX

Health Care Deliberative Dialogue

The Bill directs the Department of Public Health (DPH), through a Request for Proposals (RFP) process, to contract with an entity to conduct a series of deliberative dialogue conversations throughout the State on health care issues. The contractor is to report findings in writing by November 1, 2007. The Bill appropriates \$140,000 for this purpose.

Summary

See attached.

Fiscal Impact Summary: Affordable Health Care for Small Business and Families Bill

Expenditures - State	FY 2008
Division I	
Medicaid Expansion	\$20,165,815
Hospital Reimbursement	\$27,701,600
IowaCare Drug Coverage	\$4,628,362
IowaCare Premium Elimination	\$195,845
Expanding IowaCare Network	N/A*
Eliminate CMH Waiver Waiting List	\$2,620,518
Division I Subtotal	\$55,312,140
Division II	
Dental Home for Medicaid Children	\$12,058,855
Division III	
Prescription Drug Information Website	\$300,000
Division IV	
Tobacco Use Prevention and Control	\$10,874,488
Division VII	
Pharmaceutical Infrastructure: Safety Net Providers	\$1,000,000
Specialty Care Pilots: Safety Net Providers	\$1,000,000
Provider Recruitment Program	\$560,000
Safety Net Provider Evaluation	\$30,000
Data Collection: Medical Home	\$75,000
Rural Health Clinics: Medical Home	\$150,000
Free Clinics: Medical Home	\$250,000
Maternal and Child Health Centers: Medical Home pilot in Cerro Gordo, Polk and Wayne counties	\$100,000
Local Boards of Health: Medical Home pilot in Cerro Gordo, Polk and Wayne counties	\$100,000
Iowa Family Planning Network Agencies: Medical Home	\$100,000
Iowa-Nebraska Primary Care Association	\$100,000
Community Health Center Incubator Grants	\$650,000
Division VIII Subtotal	\$4,115,000
Division VIII	
Expand early ACCESS Program	\$1,500,000
Empowerment Grants	\$250,000
Healthy Mental Development Initiative	\$750,000
Expand HOPES Statewide	\$5,300,000
	\$7,800,000
Division IX	
Health Care Dialogue Appropriation	\$140,000
Total Expenditures	\$90,600,483

*The fiscal impact of this provision cannot be determined.