

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1821-07
Bill No.: SCS for SB 500
Subject: Children and Minors; Education, Elementary and Secondary; Disabilities;
 Medicaid
Type: Original
Date: April 12, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$2,200,000 to Unknown)	(\$2,200,000 to Unknown)	(\$2,200,000 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$2,200,000 to Unknown)	(\$2,200,000 to Unknown)	(\$2,200,000 to Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Insurance Dedicated Fund	\$0 to \$8,000	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 to \$8,000	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer**, state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Department of Mental Health (DMH)** state that the only service the Division of Mental Retardation and Developmental Disabilities (MRDD) provides to First Steps children is case coordination. This service is exempt from the family co-pay and is not included in the mandatory insurance coverage. DMH assumes that MRDD will continue to bill Medicaid for Targeted Case Management for eligible children and serve those not medicaid eligible under the Division's Maintenance of Effort agreement with the Department of Elementary and Secondary Education. There is no fiscal impact to the Department of Mental Health.

Officials from the **Department of Insurance** estimate 160 insurers and HMOs might be required to submit amendments to their policies to comply with legislation. Policy amendments must be submitted to the department for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$0 to \$8,000.

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews the department will need to request additional staff to handle increase in workload.

ASSUMPTION (continued)

Officials from the **Office of Secretary of State (SOS)** assumed the rules, regulations and forms issued by the “lead agency” to be designated by the Governor could require as many as pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS’s estimated cost of \$492 for FY 2006. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

According to officials from the **Department of Social Services - Division of Medical Services**, this legislation will have a fiscal impact on the Division of Medical Services. The amount is unknown but greater than \$100,000.

The proposal states that the Department of Social Services shall pay all claims for reimbursement for Medicaid-eligible children to the First Steps system. Division of Medical Services currently reimburses for physical, occupational and speech therapy, and service coordination. If the program remains the same as it is today, there will be an increased cost to Medicaid because there are services that Missouri Medicaid does not cover that are currently covered by DESE. Examples of these services that are not Medicaid covered is family training, counseling and home visits, sign language and cued language services, social work services, registered dietitians and therapist assistants services. Since most of these services are not "medical" services Missouri Medicaid will be unable to draw a federal match on them.

The proposal also states that for those eligible children having other private insurance, the Department of Social Services shall seek insurance reimbursement as appropriate. Division of Medical Services already cost-avoid these services, but it is unknown how many children have other insurance policies that do not cover these services, but as a result of this legislation would be required to reimburse for such services up to \$3,000 per child per calendar year. A cost savings is expected.

Officials from the **Department of Elementary and Secondary Education (DESE)** state that since SCS for SB 500 appears to require a statewide rebid of the First Steps System using a

ASSUMPTION (continued)

model in which service providers are either employed or sub-contracted by the System Point-of-Entry (SPOE), it is difficult to calculate a fiscal note since the total cost is dependent upon bid proposals. However, the annual system cost can be estimated in two ways based on the assumptions used.

Method I – Contractor will bid a single annual amount, paid to the contractor in twelve equal monthly installments that covers the total cost of the First Steps regional operation.

Assumptions:

1. 12 SPOE areas closely aligned with the DMH Regional Center areas.
2. The contractor employs all service providers using the following ratio of providers to 2% census child count: Occupational Therapy/Physical Therapy/Speech Language Pathology/Special Instruction @40:1; Certified Occupational Therapist Assistant/Physical Therapist Assistant @ 20:1; Service Coordinators @ 50:1
3. The contractors bid is based on estimated SPOE Region costs plus profit margin.
4. If the bid amount does not generate enough funding to pay for all costs within the region, the shortfall in funding will be made up by the contractor from local revenue sources.

Cost for Method 1

Total Staff/Fringe Costs:	\$23,556,704
Assistive Technology Costs:	\$ 1,500,000
Regional Office Costs:	\$ 1,316,334
Legal/Contract Review/Payroll	\$ 120,000
System Costs:	
Central Finance Office Costs	\$ 1,250,000
Training Costs:	\$ 40,000
First Steps Consultants	\$ 450,000
State Interagency Coordinating Council (Advisory Committee)	<u>\$ 5,000</u>
Total First Steps Costs	\$28,238,038

ASSUMPTION (continued)

Method 2 – Contractor bids a single “annual cost per child” which covers the total cost of the First Steps regional operation

Assumptions:

1. 12 SPOE areas closely aligned with the DMH Regional Center areas.
2. The contractor is responsible to employ or subcontract for all services to eligible children employing the number of providers necessary as determined by the contractor.
3. If the bid “cost per child” does not generate enough funding to pay for all costs within the region, the shortfall in funding will be made up by the contractor from local revenue sources.
4. The assumed bid “annual cost per child” will be \$6,000.

Cost for Method 2

\$6,000 per child (bid cost) x 4,421 children (based on 2% of census count) =	\$26,526,000
System Costs:	
Central Finance Office Costs	\$ 1,250,000
Training Costs:	\$ 40,000
First Steps Consultants	\$ 450,000
State Interagency Coordinating Council (Advisory Committee)	\$ <u>5,000</u>
Total First Steps Costs	\$28,271,000

Oversight assumes the amount available to expend in FY 2005 was \$26,136,184. This includes a supplemental appropriation of \$4,552,794 (HB 14) from this session. For fiscal note purposes only, **Oversight** will show the difference between current appropriation and the estimated cost of rebidding as the net effect on General Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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GENERAL REVENUE

<u>Cost</u> - "Lead agency" to be determined by Governor - Difference between current First Step appropriations and rebidding contracts	(\$2,200,000 to Unknown)	(\$2,200,000 to Unknown)	(\$2,200,000 to Unknown)
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<u>Cost</u> -Dept of Social Services/Division of Medical Services - Medicaid Services*	(Unknown)	(Unknown)	(Unknown)
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$2,200,000 to Unknown)</u>	<u>(\$2,200,000 to Unknown)</u>	<u>(\$2,200,000 to Unknown)</u>
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* Expected to Exceed \$100,000

INSURANCE DEDICATED FUND

<u>Income</u> - Filing Fees	\$0 to \$8,000	\$0	\$0
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ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$0 to \$8,000</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

Under this proposed legislation, a lead state agency designated by the governor will maintain a statewide birth to age three system of early intervention services through the first steps program. The statewide system shall include a comprehensive public awareness program to ensure eligible

DESCRIPTION (continued)

children are identified and evaluated for eligibility. (Section 160.900)

A State Interagency Coordinating Council will be established to assist the lead agency in implementing the program. (Section 160.905)

The structure for the delivery of first steps services will be on a regional basis, with the regions to be determined by the lead agency through a bidding process. The bidding process must establish criteria for allowing regions to implement models that will serve the unique needs of their community. The process shall also encourage agreements between bidding organizations and other state and local governmental entities providing similar services to infants and toddlers, including the department of mental health's division of mental retardation and developmental disability centers and with established quality early intervention providers in the region. (Section 160.910)

Each agency shall include in their proposal assurances and documentation of their plan to provide for those functions specifically identified under state and federal regulations, ensure provider oversight, include family oriented, transdisciplinary and coaching approaches as necessary, utilize multiple funding sources, and implement a system to ritualize and oversee assistive technology services. (Section 160.915)

The lead agency in the first instance and where applicable, will seek payment from all third party payers prior to claiming payment from the state program (Section 160.920.5)

The lead agency shall also pay required deductibles, copayments, or other out-of-pocket expenses for an eligible child directly to the provider. A health carrier shall apply any payments made by the lead agency to the health benefit plan's deductibles, copayments, or other out-of-pocket expenses according to the terms and conditions of the health benefit plan. (Section 160.920.6)

A schedule of monthly cost participation fees for services per qualifying family will be established by the lead agency for services per family regardless of the number of children participating or the amount of services provided. These fees shall not include services to be provided to the family at no cost as established by the IDEA. (Section 160.920.7)

Fees shall be based on a sliding scale to become effective October 1, 2005, and will take into account the following elements:

- adjusted gross income, family size, financial hardship, and Medicaid eligibility with the fee implementation beginning at two hundred percent of the federal poverty guidelines;

DESCRIPTION (continued)

- a minimum monthly fee amount of five dollars to the maximum of one hundred dollars;
- an increased fee schedule for parents who have insurance and elect not to use the insurance,
- the effect of procedures for notifying regional offices if a family is not paying the cost participation and suspension of services, and
- the effect of procedures for determining waivers for the cost participation based on significant financial hardship or medicaid eligibility (Section 160.920.7).

The lead agency shall provide regional offices with the necessary financial data to assist regional offices in monitoring their expenditures and the cost of direct services. (Section 160.910)

Nothing in this proposal will permit any other state agency that provides medically related services to reduce medical assistance to eligible children. (Section 160.920)

All amounts generated by family cost participation, including insurance and Medicaid reimbursements, will be deposited to the "First Steps Fund" created in Section 160.925. (Section 160.920)

This proposal also provides that the Department of Social Services shall recognize the first steps established under this act, and shall pay all claims for reimbursement for Medicaid-eligible children to the first steps system. The Department of Social Services shall seek insurance reimbursement for those eligible children having other private insurance. (Section 208.144)

This proposal also provides that each health carrier that offers or issues health benefit plans which are issued on or after January 1, 2006, shall provide coverage for medically necessary early intervention services for children in the First Steps Program. Such coverage shall be limited to three thousand dollars per covered child per policy per calendar year, with a maximum of nine thousand dollars per child. (Section 376.1218.1)

The First Steps system, on behalf of its contracted regional First Steps centers and providers, shall be considered the rendering provider of services for purposes of this proposal and shall comply with all of the terms and conditions of the carrier's contracts with similarly situated health care providers. (Section 376.1218.2)

Prescribed insurance benefits shall be billed at the current Medicaid reimbursement rate for each

DESCRIPTION (continued)

specified eligible service and shall be reimbursed by the carrier at that rate or at the carrier usual reimbursement rate. (Section 376.1218.3)

The health care service required by this section shall not be subject to any greater deductible or copayment than other similar health care services provided by the health benefit plan. (Section 376.1218.4)

A health carrier subject to the provisions of this act shall also provide reimbursement to the department of social services for claims filed on behalf of eligible children under the first steps program. (Section 376.1218.5)

Payments made during a calendar year by a health carrier subject to the provisions of this proposal to the lead agency entitled to payment for services provided by the first steps program shall not exceed one-half of one percent of the health carrier's net direct written health care premium, less premium earned from policies or contracts from supplemental insurance policies. (Section 376.1218.6)

Instead of reimbursing claims, a carrier may directly pay the lead agency by January 31 of the calendar year one-half of one percent of the amount of its capped liability or five hundred thousand dollars, whichever is less. The payment shall constitute full and complete satisfaction of the carrier's obligation for the calendar year. (Section 376.1218.6)

Certain carriers have the right to audit claims payments made to the lead agency. The lead agency or Department of Social Services shall refund any paid claim for reimbursement that fails to meet the terms of the health benefit plan. (Section 376.1218.7)

This proposal shall not apply to supplemental insurance policies, including a life care contract, specified disease policies, hospital policy providing a fixed daily benefit only, Medicare supplement policy, hospitalization-surgical care policy, long-term care policy, or short-term major medical policies of six months or less duration. (Section 376.1218.8)

In addition, current law expresses that school districts may coordinate with public, private, and private not-for-profit agencies for the delivery of efficient early childhood special education (Section 162.700). This proposal changes the aforementioned "may" to "shall". (Section 162.700)

This proposal requires school districts providing early childhood special education to give consideration to the value of continuing services with Part C providers for the remainder of a

DESCRIPTION (continued)

school year when developing an individualized education program for a student who has received services pursuant to Part C of the Individuals with Disabilities Education Act and reaches the age of three years during a regular school year. Further, the proposal removes language from the section which specifies that preference shall be given to the continuation of services with the student's private provider unless the cost exceeds the average per student cost of early childhood education in the district. (Section 162.700)

This proposal has an emergency clause.

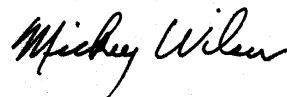
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Insurance
Department of Mental Health
Department of Social Services
 Division of Medical Services
Office of State Treasurer
Office of Secretary of State
 Administrative Rules Division

NOT RESPONDING

Office of the Governor



Mickey Wilson, CPA
Director
April 12, 2005