

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1821-09
Bill No.: HCS for SCS for SB 500
Subject: Children and Minors; Education, Elementary and Secondary; Disabilities;
 Medicaid
Type: Original
Date: May 2, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$50,000 to Unknown)	(\$1,650,000 to Unknown)	(\$1,650,000 to Unknown)
Total Estimated Net Effect on General Revenue Fund	(\$50,000 to Unknown)	(\$1,650,000 to Unknown)	(\$1,650,000 to Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Insurance Dedicated Fund	(\$2,000,000)	\$0	\$0
Part C Early Intervention System Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$2,000,000)	\$0	\$0

***Income and Offsetting Costs Total \$2,150,000 in FY 06; \$550,000 in FY 07 & FY 08**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 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 **Missouri Senate** assume this proposal either has no fiscal impact as it relates to their agency or minimal costs which can be absorbed by present appropriations.

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

Officials from the **Department of Mental Health (DMH)** state that the only service the Division of Mental Retardation and Developmental Disabilities (MRDD) provides to the current 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 (INS)** state the INS depends upon a certain balance in the dedicated fund to cover month-to-month revenue/expenditure differences. Revenue collections were \$10,087,785 in FY03 and \$9,328,962 in FY04. If this trend continues, the funds

ASSUMPTION (continued)

collected may be less in FY05. INS monthly expenditures range from approximately \$550,000 to \$850,000 depending upon when building rent, cost allocations, workers comp and unemployment transfers occur as well as general operating costs are due. A two-million dollar fund transfer could impact the cash-flow within the department for several months in the fiscal year depending upon revenue collected.

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 14 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 \$861 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 (DMS)**, this legislation will not have a fiscal impact on the Division of Medical Services. The DMS assumes that Medicaid will continue to only reimburse for physical, occupational and speech therapy, and service coordination for Medicaid-eligible children in the Part C Early Intervention System, as it currently does for the First Steps System.

According to officials from the **Department of Elementary and Secondary Education (DESE)**, the estimated off-set for family fees in FY 06 is approximately \$150,000. This should increase to approx \$550,000 annually in FY07 and subsequent years.

There is no calculated off-set for insurance recovery in FY06 or in subsequent years because the insurance mandate language has been removed. Since most existing health insurance policies do not contain coverage for early intervention services, no future insurance reimbursement into the “Part C Early Intervention System Fund” should be expected. However, the bill does provide for a \$2 million transfer from the Department of Insurance Dedicated Fund. These funds will help fund the early intervention system in FY 06 but it is unclear if this is a core transfer, a planned

ASSUMPTION (continued)

one-time transfer or a planned annual transfer. These funds, regardless of the source become a part of the state's required "maintenance of effort" for continued acceptance of federal funds after FY06.

This proposal appears to require a statewide rebid of the First Steps System using a 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 following assumptions:

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.

ASSUMPTION (continued)

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

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

ASSUMPTION (continued)

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 the total of current appropriation, transfer from Insurance Dedicated Fund, and disbursements from the Part C Early Intervention System Fund and the estimated cost of rebidding as the net effect on General Revenue.

Oversight assumes, based on other proposals calling for a committee or commission with members of the Senate and the House of Representatives appointed by the Governor, that there are no fiscal costs to the **House of Representatives** and the **Office of the Governor**.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
<u>Cost</u> - "Lead agency" to be determined by Governor - Difference between current First Step appropriations and disbursements from Part C Early Intervention System Fund and the rebidding of contracts	<u>(\$50,000 to Unknown)</u>	<u>(\$1,650,000 to Unknown)</u>	<u>(\$1,650,000 to Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$50,000 to Unknown)</u>	<u>(\$1,650,000 to Unknown)</u>	<u>(\$1,650,000 to Unknown)</u>
INSURANCE DEDICATED FUND			
<u>Cost</u> - Transfer to Part C Early Intervention System Fund	<u>(\$2,000,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$2,000,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
PART C EARLY INTERVENTION SYSTEM FUND			
<u>Transfer In</u> - Department of Insurance Dedicated Fund	\$2,000,000	\$0	\$0
<u>Income</u> - Family Cost Participation Fees	\$150,000	\$550,000	\$550,000
<u>Cost</u> - Payments of Costs of Part C Early Intervention System	<u>(\$2,150,000)</u>	<u>(\$550,000)</u>	<u>(\$550,000)</u>
ESTIMATED NET EFFECT ON PART C EARLY INTERVENTION SYSTEM FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

Section 160.900

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 a regional Part C early intervention system. The statewide system shall include a comprehensive public awareness program to ensure eligible children are identified and evaluated for eligibility.

Section 160.905

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

DESCRIPTION (continued)

Section 160.910

The structure for the delivery of the Part C early intervention system 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 160.915

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 re-utilize and oversee assistive technology services.

Section 160.920.1

The lead agency shall not use funds appropriated for the implementation and administration of the Part C early intervention system to satisfy a financial commitment for services that should have been paid from another public or private source. Federal funds available under the federal program shall be used whenever necessary to prevent the delay of early intervention services to the eligible child or family. When funds are used to reimburse the service provider to prevent a delay of services, the funds shall be recovered from the public or private service that has ultimate responsibility for payment.

Section 160.920.2

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

Section 169.920.5

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.

DESCRIPTION (continued)

Section 160.920.6

The lead agency may also pay required deductibles, copayments, coinsurance, or other out-of-pocket expenses for an eligible child directly to the provider.

Section 160.920.7

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.

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;
- 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

Section 160.920.8

All amounts generated by family cost participation, including insurance and Medicaid reimbursements, will be deposited to the Part C early intervention system fund created in Section 160.925.

Section 160.922

The proposed legislation establishes the "Part C Early Intervention System Review Commission" to examine the operation and implementation of the program.

DESCRIPTION (continued)

Section 160.925

The "Part C Early Intervention System Fund" is created in the state treasury. The state treasurer shall be custodian of the fund and shall disburse moneys from the fund.

Section 162.700

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. This proposal changes the aforementioned "may" to "shall".

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 school year when developing an individualized education program for a student who has received services pursuant to Part C of the federal 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.

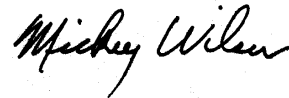
Section 1

Two million dollars shall be subject to an immediate transfer from the Department of Insurance Dedicated Fund to the state Part C Early Intervention System Fund.

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
Missouri Senate
Office of the Governor
Missouri House of Representatives



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