

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1821-10  
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SCS for SB 500  
Subject: Children and Minors; Education, Elementary and Secondary; Disabilities; Medicaid  
Type: Original  
Date: June 8, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$1,950,000 to Unknown)	(\$1,550,000 to Unknown)	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$1,950,000 to Unknown)</b>	<b>(\$1,550,000 to Unknown)</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Part C Early Intervention System Fund*	\$0	\$0	\$0
Insurance Dedicated Fund	\$0 to (\$50,000)	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 13 pages.

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

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

**FISCAL ANALYSIS**

**ASSUMPTION**

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** 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.

Depending upon how the data is received from insurance companies, INS may need to request \$0 to \$50,000 to update or modify its database to include this information.

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 16 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 \$984 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 could have a fiscal impact on the DMS. The amount is unknown but greater than \$100,000.

Section 208.144 states that the Department of Social Services shall pay all claims for reimbursement for Medicaid-eligible children to the Part C early intervention system. The DMS currently reimburses for physical, occupational and speech therapy, and service coordination. It is assumed that DMS would be responsible for reimbursement of services that it presently does not cover such as 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. Services will be paid at 100% General Revenue.

However, if the services in section 208.144 are defined the same as they are defined in section 376.1218 as medically necessary speech and language therapy, occupational therapy, physical therapy, and assistive technology devices then the cost to DMS would be minimal.

Section 208.144 also states that for those eligible children having other private insurance, the Department of Social Services shall seek reimbursement as appropriate from the lead agency for payments made to the Part C early intervention system for covered benefits provided by health benefit plans under section 376.1218. Division of Medical Services already cost-avoid these services.

ASSUMPTION (continued)

**Oversight** assumes the definition of services outlined in Section 208.144 would be those required for reimbursement and that, as DMS states, costs would be minimal.

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 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

ASSUMPTION (continued)

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

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.

ASSUMPTION (continued)

**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 the total of current appropriation and disbursements from the Part C Early Intervention System Fund 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 disbursements from Part C Early Intervention System Fund and the rebidding of contracts	<u>(\$1,950,000 to Unknown)</u>	<u>(\$1,550,000 to Unknown)</u>	<u>\$0</u>
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$1,950,000 to Unknown)</u></b>	<b><u>(\$1,550,000 to Unknown)</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>PART C EARLY INTERVENTION SYSTEM FUND</b>			
<u>Income</u> - Family Cost Participation Fees	\$150,000	\$550,000	\$0
<u>Cost</u> - Payments of Costs of Part C Early Intervention System	<u>(\$150,000)</u>	<u>(\$550,000)</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON PART C EARLY INTERVENTION SYSTEM FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>INSURANCE DEDICATED FUND</b>			
<u>Income</u> - Filing Fees	\$0 to \$8,000	\$0	\$0
<u>Cost</u> - Computer Programming	(\$0 to \$50,000)	\$0	\$0
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>\$0 to (\$50,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

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

DESCRIPTION (continued)

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.

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 regional office 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.



DESCRIPTION (continued)

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.

Section 160.920.6

The lead agency shall 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 assign such right to recovery or indemnification to the lead agency; and,
- procedures for notifying regional offices that a family is not complying with the cost participation and procedures for suspending services

DESCRIPTION (continued)

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 160.925

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

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 208.144

The Department of Social Services shall recognize the Part C early intervention system as an eligible program and shall pay all claims for reimbursement for Medicaid-eligible children to the Part C early intervention system. For those eligible children having other private insurance, the Department of Social Services shall seek reimbursement as appropriate from the lead agency for payments made to the Part C early intervention system for covered benefits provided by health benefit plans under section 376.1218.

Section 376.1218

This act also provides that each health carrier that offers or issues health benefit plans, other than Medicaid health benefit plans, which are issued or renewed in this state on or after January 1, 2006, shall provide coverage for early intervention services for children in the Part C IDEA system. Early intervention services include medically necessary speech and language therapy, occupational therapy, physical therapy, and assistive technology devices for children from birth

DESCRIPTION (continued)

to age three who are identified by the Part C IDEA system as eligible for services. 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 376.1218.2

In the event that the provisions of section 376.1218.1 do not apply to a health carrier because of preemption by a federal law, or the provisions are found to be unconstitutional, then the lead agency shall be responsible for payment and provision of any benefit required under section 376.1218.

Section 376.1218.5

A health benefit plan shall be billed at the applicable Medicaid rate at the time the covered benefit is delivered, and the health benefit plan shall pay the Part C early intervention system at such rate for benefits covered by this proposal.

Section 376.1218.6

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

Section 376.1218.7

Payments made during a calendar year by a health carrier subject to the provisions of this act to the Part C early intervention system for services provided to children covered by the Part C system shall not exceed one-half of one percent of the direct written premium for health benefit plans as reported to the department of insurance on the health carrier's most recently filed annual financial statement.

Instead of reimbursing claims, a carrier may directly pay the Part C early intervention system by January 31 of the calendar year an amount equal to one-half of one percent of the direct written premium for health benefit plans as reported to the department of insurance on the health carrier's most recently filed annual financial statement, 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.

DESCRIPTION (continued)

Section 376.1218.8

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, policy that is individually underwritten or provides such coverage for specific individuals and members of their families, long-term care policy, or short-term major medical policies of six months or less duration.

Section 376.1218.9

Except for health carriers or health benefit plans making direct payments in complete satisfaction of the carrier's obligation for the calendar year, under section 376.1218.7(2), the Department of Insurance shall collect data related to the number of children receiving private insurance coverage under section 376.1218 and the total amount of moneys paid on behalf of such children by private health insurance carriers or health benefit plans. The department shall report to the General Assembly regarding the department's findings no later than January 30, 2007, and annually thereafter.

Section 1

The provisions of the Part C early intervention system shall sunset in two years, unless reauthorized by an act of the general assembly.

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

L.R. No. 1821-10

Bill No. Truly Agreed To and Finally Passed CCS for HCS for SCS for SB 500

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SOURCES OF INFORMATION

Department of Elementary and Secondary Education

Department of Insurance

Department of Mental Health

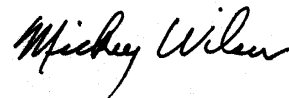
Department of Social Services

Division of Medical Services

Office of State Treasurer

Office of Secretary of State

Administrative Rules Division



Mickey Wilson, CPA

Director

June 8, 2005