COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5375-01
Bill No.: SB 1123
Subject: Health Care; Health, Public; Disabilities; Elderly; Social Services Department
Type: #Corrected
Date: April 11, 2006
#Corrected to reflect Department of Social Services assumptions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
#General Revenue	($512,704 to $617,544)	($3,666,017 to $6,336,816)	($6,788,677 to $12,116,734)
#Total Estimated Net Effect on General Revenue Fund	**($512,704 to $617,544)**	**($3,666,017 to $6,336,816)**	**($6,788,677 to $12,116,734)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Federal*	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

*Income and costs of approximately $900,000 to $19,000,000 would net to $0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Senate** and the **Missouri House of Representatives** assume this proposal would not fiscally impact their agencies.

Officials from the **Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. SOS is provided with core funding to handle a certain amount of normal activity resulting from each years legislative session. The fiscal impact for Administrative Rules is less than $1,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Health and Senior Services (DOH)** assume this proposal could result in a minimal savings to the DOH if there are any eligibles enrolled for the

ASSUMPTION (continued)

Coordinated Care and Administrative Service Organization pilot programs who are also currently participating in the Adult Head Injury (AHI) and Physical Disabilities Waiver (PDW) Programs. In such a case, DOH could possibly reduce services offered by AHI and PDW for these individuals. DOH believes there would only be a few individuals participating in the AHI and PDW program that would qualify for the Coordinated Care and Administrative Service Organization pilot programs, therefore savings would be minimal if any.

Officials from the **Department of Mental Health (DMH)** assume the cost, scope and potential savings derived from the ASO pilot will be dependent on the scope of work developed for the RFP process and the proposal(s) from the winning contractor(s). DMH assumes the benefit package and service limits will be established by the contractor/ASO(s) pending their actuarial studies. DMH assumes the following factors could impact DMH fiscal impact:

Start-up Payments--DMH states if mental health services would be included in this managed care pilot project, there would be a need for an additional one time appropriation to cover fee for service "claims lag" payments. These are the cost of payments still being made for claims provided prior to the implementation of managed care but not previously paid, and an ongoing appropriation to pay for cost of living (COLA) payments guaranteed to the managed care entity by Medicaid rule.

Maintenance of Effort Requirements--A reduction in either state dollars or clients served will impact the divisions' ability to maintain federal funding. DMH states the Substance Abuse Prevention and Treatment Block Grants and CPS Block Grant require a state maintenance of effort. State reductions in funding to ADA and CPS may result in a dollar for dollar loss of the federal funds. The Access to Recovery Grant requires that ADA demonstrate that there is no supplantation and also requires number targets for clients served. If the divisions do not meet these requirements, federal funds may be lost.

Dual Networks–DMH would need to maintain its community based system in the same geographic areas as the managed care plan for individuals not in this program.

Revenue Loss–DMH states there could be less revenue for DMH generated from the provision of Access Crisis Intervention (ACI), Comprehensive Psychiatric Rehabilitation (CPR)/Organized Health Care Delivery System (OHCDS), CPS Targeted case management, MRDD waiver and targeted case management, and CSTAR OHCDS services. DMH states serving fewer of these individuals will result in less dollars being generated due to fewer units of services being

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provided to persons in these programs.

Oversight assumes that if DMH would have a revenue loss because they generate fewer units in the above mentioned programs, DMH would also have a savings equal to the cost of providing services.

The proposal does not state if DMH would be a provider in the coordinated care system or the ASO pilot program. Some DMH clients which are individuals under 21, institutionalized individuals, or dually eligible individuals are not included in this proposal**.** Of the remaining DMH clients, **Oversight** assumes DMH clients could use the exception, "for recipients whose current treating physicians are not participating in the coordinated care network in order to prevent interruption in the continuity of medical care". Oversight is assuming DMH would not have a cost or a loss. Oversight assumes should the DMH incur a cost or savings, such funds could be sought through the appropriations process.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the proposal requires DMS to request a waiver from the federal Department of Health and Human Services to obtain approval for a "coordinated care" and an "administrative services organization" (ASO) pilot program. The program is mandatory for aged, blind, or disabled medical assistance recipients, excluding recipients under the age of twenty-one, institutionalized individuals, and dual eligibles (Medicaid/Medicare recipients).

DMS states enrollment for the pilot programs shall be completed by July 1, 2007. The programs shall be implemented in the greater St. Louis, Kansas City, or Springfield area, each program in a different area. DMS states an exemption process would be established for recipients for continuity of care when the recipient's treating physician is not participating in the program. Participants shall be required to select a primary care provider within thirty days of enrollment or auto assignment will occur.

DMS states the coordinated care program shall operate under a traditional managed care model. The coordinated care program would require the contractor to be responsible for the administration of the program as well as payment to providers. This type of program puts the contractor at risk. The Division of Medical Services (DMS) would establish a capitated rate per eligible. The capitated rates would need to be certified as actuarially sound per federal rules. The DMS would also need a waiver from the Centers of Medicare and Medicaid Services (CMS).

DMS states the eligibles from the existing St. Louis and Kansas City regions were utilized in the

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calculations. The number of aged, blind and disabled recipients as of January 2006 is 39,919. For FY 07, the fiscal impact is $142,514. This includes actuary costs of $100,000 and enrollment costs of $42,514 (39,919 x .355 x 3).

For FY 08, the fiscal impact is $22,932,844 ($8,787,866 GR, $14,144,978 Federal). This calculation includes actuary costs, enrollment costs, projected savings of implementing managed care for this population assuming a two percent savings, the cost of residual claims, the loss of pharmacy rebates and the loss of pharmacy tax. The same methodology was applied to FY 09. The fiscal impact for FY 09 is $46,152,836 ($17,685,767 GR, $28,467,069 Federal).

Under the ASO model, a private entity would enter into an agreement with the DMS to administer the program. The contractor would be responsible and reimbursed for setting up a network of providers, fielding provider and client complaints, providing quality assurance, and handling other administrative work. This arrangement would be a new cost to the DMS. The contractor would be paid a per member-per month administrative fee.

The eligibles from the greater Springfield area were utilized in the calculations. The greater Springfield area includes Greene County and its contiguous counties. The number of aged, blind and disabled recipients as of January 2006 is 18,638. For FY 07, the fiscal impact is $1,051,749. This includes the per member per month costs of $931,900 (18,638 x $5.00 x 10), actuary costs of $100,000, and enrollment costs of $19,849 (18,638 x .355 x 3).

#Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the proposal requires DMS to request a waiver from the federal Department of Health and Human Services to obtain approval for a "coordinated care" and an "administrative services organization" (ASO) pilot program. The program is mandatory for aged, blind, or disabled medical assistance recipients, excluding recipients under the age of twenty-one, institutionalized individuals, and dual eligibles (Medicaid/Medicare recipients).

#Enrollment for the pilot programs shall be completed by July 1, 2007. The programs shall be implemented in the greater St. Louis, Kansas City, or Springfield area, each program in a different area. An exemption process should be established for recipients for continuity of care when the recipient's treating physician is not participating in the program. Participants shall be required to select a primary care provider within thirty days of enrollment or auto assignment will occur.

#DMS states the coordinated care program shall operate under a traditional managed care model. The coordinated care program would require the contractor to be responsible for the

ASSUMPTION (continued)

administration of the program as well as payment to providers. This type of program puts the contractor at risk. DMS would establish a capitated rate per eligible. The capitated rates would need to be certified as actuarially sound per federal rules. The DMS would also need a waiver from the Centers of Medicare and Medicaid Services (CMS).

#St. Louis
#The eligibles from the existing St. Louis region were utilized in the calculations. The number of aged, blind and disabled recipients as of January 2006 is 25,889. For FY 07, the fiscal impact is $127,572. This includes actuary costs of $100,000 and enrollment costs of $27,572 (25,889 x .355 x 3).

#For FY 08, the fiscal impact is $14,826,958 ($5,706,251 GR, $9,120,707 Federal). This calculation includes actuary costs, enrollment costs, projected savings of implementing managed care for this population assuming a two percent savings, the cost of residual claims, the loss of pharmacy rebates and the loss of pharmacy tax. The same methodology was applied to FY 09. The fiscal impact for FY 09 is $29,899,922 ($11,482,211 GR, $18,417,711 Federal). Please see the attached worksheet for cost calculations.

#Kansas City
#The eligibles from the existing Kansas City region were utilized in the calculations. For FY 07, the fiscal impact is $114,942. This includes actuary costs of $100,000 and enrollment costs of $14,942.

#For FY 08, the fiscal impact is $8,118,193 ($3,110,892 GR, $5,007,301 Federal). This calculation includes actuary costs, enrollment costs, projected savings of implementing managed care for this population assuming a two percent savings, the cost of residual claims, the loss of pharmacy rebates and the loss of pharmacy tax. The same methodology was applied to FY 09. The fiscal impact for FY 09 is $16,256,766 ($6,229,593 GR, $10,027,173 Federal).

#Springfield
#Under the ASO model, a private entity would enter into an agreement with the DMS to administer the program. The contractor would be responsible and reimbursed for setting up a network of providers, fielding provider and client complaints, providing quality assurance, and handling other administrative work. This arrangement would be a new cost to the DMS. The contractor would be paid a per member-per month administrative fee.

#The eligibles from the greater Springfield area were utilized in the calculations. The greater Springfield area includes Greene County and its contiguous counties. The number of aged, blind

ASSUMPTION (continued)

and disabled recipients as of January 2006 is 18,638. For FY 07, the fiscal impact is $1,051,749. This includes the per member per month costs of $931,900 (18,638 x $5.00 x 10), actuary costs of $100,000, and enrollment costs of $19,849 (18,638 x .355 x 3). For FY 08 and 09, the fiscal impact is $1,297,678 which includes the per member per month costs of $1,118,280 (18,638 x $5.00 x 12), actuary costs of $100,000, and enrollment costs of $79,398 (18,638 x .355 x 12). Please see the attached worksheet for cost calculations.

DMS would require seven new staff for the administration of the pilot programs. The staff would include a Social Services Manager, three Medicaid Specialists, a Medicaid Technician, a Senior Auditor, and a Senior Office Support Assistant. The total cost for the staff for FY 07 is $402,378 ($201,191 GR, $201,187 Federal), for FY 08 is $438,417 ($219,209 GR, $219,208 Federal), and FY 09 is $449,479 ($224,739 GR, $224,740 Federal).

#208.955 The proposed legislation establishes an Oversight Committee on Coordinated Care and Administrative Service Organizations. The committee shall review and analyze satisfaction reports and call center statistics required of the program vendors and ombudsman reports to determine health outcomes and cost savings and report findings to the Joint Committee on Health or the General Assembly. The program shall sunset six years after the effective date. There is no fiscal impact to the DMS for the section.

#**Oversight** assumes the proposal requires a coordinated care program in "at least one" of the areas of St. Louis, Kansas City, or Springfield. Oversight will present the Kansas City and St. Louis costs, as calculated by DOS, as a range (Kansas City representing the lower costs and St. Louis representing the higher cost). In addition, the proposal requires an ASO pilot program in "at least one" of the areas of St. Louis, Kansas City, or Springfield. Oversight will present the Springfield area as calculated by DOS.

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
Savings - Department of Health and Senior Services			
Program savings	$0 - $100,000	$0 - $100,000	$0 - $100,000
Costs - Department of Social Services - Division of Medical services			
# Personal Service (7 FTE)	($97,475)	($107,754)	($110,448)
# Fringe benefits	($42,947)	($47,476)	($48,663)
# Expense and equipment	($25,206)	($2,625)	($2,703)
# Program costs	($447,076 to $451,916)	($3,608,162 to $6,178,961)	($6,726,863 to $11,954,920)
# Total Costs - Department of Social Services - Division of Medical services	($612,704 to $617,544)	($3,766,017 to $6,336,816)	($6,888,677 to $12,116,734)
#ESTIMATED NET EFFECT ON GENERAL REVENUE	**($512,704 to $617,544)**	**($3,666,017 to $6,336,816)**	**($6,788,677 to $12,116,734)**
FEDERAL			
Income - Department of Social Services			
Program reimbursement	$885,243 to $893,034	$5,965,564 to $10,103,530	$10,989,395 to $19,404,494
Costs - Department of Social Services - Division of Medical services			
# Personal Service (7 FTE)	($97,475)	($107,754)	($110,448)
# Fringe benefits	($42,947)	($47,476)	($48,663)
# Expense and equipment	($25,206)	($2,625)	($2,703)
# Program costs	($719,615 to $727,406)	($5,807,709 to $9,945,675)	($10,827,581 to $19,242,680)
# Total Costs - Department of Social Services - Division of Medical services	($885,243 to $893,034)	($5,965,564 to $10,103,530)	($10,989,395 to $19,404,494)
ESTIMATED NET EFFECT ON FEDERAL	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal directs the Department of Social Services to request the appropriate federal waivers to permit the establishment of both a Coordinated Care pilot program and an Administrative Services Organization (ASO) pilot program for recipients of Medicaid who receive such assistance on the basis of being aged, blind, or disabled. Enrollments for such programs shall be completed by July 1, 2007. Eligibility for the pilot programs shall not include individuals who are under twenty-one years of age, are institutionalized, or who are dually eligible for both state Medicaid and federal Medicare programs.

The department shall implement the Coordinated Care pilot program in at least one of the following areas: Greater St. Louis Area; Greater Kansas City area; or Greater Springfield area. The department shall implement the ASO pilot program in at least one of the same areas mentioned previously. However, the Coordinated Care pilot program and the ASO pilot programs shall not be implemented in the same areas. The department shall establish criteria for award selection to include preference for Missouri-based vendors and prior experience.

Participation in the pilot programs shall be mandatory, except that there shall be a formalized exemption process for recipients whose current treating physicians are not participating in the coordinated care network in an effort to prevent interruption in the continuity of care.

The Coordinated Care program shall operate generally under a traditional managed care model, including offering a consolidation of pharmacy management, claims adjudication, utilization review, and care coordination. The program shall be a risk-based program with a guaranteed savings level that is actuarially sound while limiting the profit that is generated to the coordinated care vendor.

The ASO pilot program shall have financial terms requiring the vendor fees to be reduced if savings and quality targets specified by the Department are not met. The ASO program shall provide care coordination, utilization management, and participant education. However, the state shall continue to retain provider reimbursement, pharmacy management, eligibility

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determination, and provider network management.

Both the coordinated care and ASO pilot programs shall incorporate the following elements:

(1) Three-year contract terms subject to annual savings and quality targets determined by the Department and which shall include consumer and provider satisfactions levels;

(2) Mechanisms in place to promote and determine the appropriate use of in-home care for participants prior to admissions in custodial skilled nursing facilities;

(3) Prompt payment to the providers within thirty days of receipt of a claim of reimbursement;

(4) Consumer call centers established based in Missouri;

(5) Consumer ombudsman programs;

(6) Partnerships with federally qualified health centers or rural health clinics, if such clinics are in the same geographic area.

This proposal also establishes an "Oversight Committee on Coordinated Care and Administrative Service Organizations" in the Department of Social Services. The Committee shall consist of eleven members: two members of the House of Representatives and two members of the Senate from the Joint Committee on Health; two consumer representatives; two healthcare providers; two healthcare advocates; and the Director of the Department of Social Services or the director's designee.

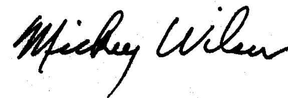
The Committee shall review the monthly consumer and provider satisfaction reports required of the pilot program vendors, the call center statistics, and the reports from the pilot ombudsman programs. The Committee shall determine how the data collected shall be analyzed to determine the health outcomes and cost savings from the pilot programs and how such findings may be communicated to consumers, health care providers and public officials. The Committee shall report significant findings indicating satisfaction or dissatisfaction with the programs to the Joint Committee on Health, as necessary.

There is a six-year sunset provision on the programs.

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 Social Services
Department of Health and Senior Services
Department of Mental Health
Secretary of State
Missouri House of Representatives
Missouri Senate



Mickey Wilson, CPA
Director
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