

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6139-01
Bill No.: SB 977
Subject: Medicaid; Department of Social Services; Insurance- Medical
Type: Original
Date: April 4, 2014

Bill Summary: This proposal allows for managed care organizations to offer incentives for the use of primary care or preventative care services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** assume MO HealthNet Managed Care contracts with Managed Care Organizations (MCOs) currently allow MCOs to conduct incentive programs and provide incentive gifts that are permissible under federal regulations. Federal regulations prohibit MCOs from marketing to Medicaid recipients who are not enrolled in their MCO for the purpose of influencing the recipient to enroll in that particular MCO. Therefore, marketing for the purpose of an incentive program is allowable only to recipients who are enrolled in the MCO.

Federal regulations prohibit the incentive from being a cash equivalent; redeemable for alcohol, tobacco, firearms or ammunition; and may not be disproportionate to the value of the preventive care provided. Therefore, the value of the incentive gift must be evaluated to determine if it fits within federal regulations and guidance. The language of the legislation does not address restrictions based on value as required by federal regulation.

States are required to review and approve incentive programs. The language of the legislation is unclear as to whether it is mandating that the DSS approve any incentive program or if the intent is to require the DSS to review and approve only those incentive programs that are permissible.

The cost of the member incentive program is borne by the MCO and is part of the administrative portion of the capitated rate they are paid by MO HealthNet. Assuming the value of the incentive is permissible, and the rate of utilization of the incentive programs does not dramatically increase, broadening the types of items that may be offered to a member will not create a significant fiscal impact. However, if utilization increases, there may be a fiscal impact to the rates.

Oversight assumes DSS-MHD would be allowed to review the incentives offered by the MCO to make sure they are permissible and of a value proportionate to the care provided. Oversight further assumes, that while the incentive programs are created to increase MCO enrollee participation, participation will not increase in such a way as to have a fiscal impact on the rates paid by MHD. If these assumptions prove to be incorrect, there may be a fiscal impact to MO HealthNet.

Officials at the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health** and the **Missouri Consolidated Health Care Plan** each assume there is no fiscal impact to their respective organizations from this proposal.

HWC:LR:OD

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal may have a fiscal impact on small business medical providers that are part of an MCO's provider network if the incentives offered by the MCO result in an increase in the number of participants seeking primary care and preventative services.

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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 Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Social Services
Missouri Consolidated Health Care Plan



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Director
April 4, 2014

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April 4, 2014