

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1885-01
Bill No.: SB 431
Subject: Medicaid; Social Services Department
Type: Original
Date: March 11, 2015

Bill Summary: This proposal treats changes by the Missouri Medicaid Audit and Compliance Unit of reimbursement requirement interpretations as rules.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$126,018)	(\$152,959)	(\$154,720)
Total Estimated Net Effect on General Revenue	(\$126,018)	(\$152,959)	(\$154,720)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenses exceed \$100,000 annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	2.5	2.5	2.5
Federal	2.5	2.5	2.5
Total Estimated Net Effect on FTE	5	5	5

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS), Missouri Medicaid Audit and Compliance Unit (MMAC)** state MMAC assumes SB 431 makes interpretations for the requirements for reimbursement for MO HealthNet services. The MO HealthNet Division (MHD) is currently charged with and authorized to make interpretations of requirements for reimbursement. MHD does so by promulgating regulations pertaining to the Medicaid program, authorizing and publishing MO HealthNet provider manuals, managing provider education, and by regularly publishing bulletins directed to providers. MMAC enforces the MHD interpretations of state and federal statutes and regulations. MMAC assumes SB 431 will result in a significant increase in the number of appeals of MMAC overpayment determinations. This increase in appeals is estimated to be approximately 50%.

Currently, a MMAC Medicaid Specialist (analyst) completes an audit of a provider's Medicaid claims within 10 hours. MMAC has 22 FTE analysts conducting reviews. An appeal, which includes preparation, discovery and testimony, may take as long as 40 hours, resulting in 30 hours per FTE lost due to appeals. MMAC's average number of completed audits per year is 2,554, with this legislation it is assumed that there will be approximately 164 less audits and possibly 41 more additional appeals which will cause a 6.4% reduction in the number of audits conducted. The two year average of accounts receivables from overpayments in calendar years 2013 and 2014 was \$7,380,638 as a result of provider audits. Therefore, the time spent on appeals will result in the inability to conduct approximately 164 audits per year or 6.4% (164/2,554), resulting in a loss of recoverable funds of \$472,360 ($\$7,380,638 \times 6.4\%$).

With enactment of the legislation MMAC analysts will be required to reallocate time away from auditing which will result in the inability to generate the current average recoverable overpayments. Therefore, MMAC would need the following additional 5 FTE to support this legislation, totaling \$252,036 including fringe along with associated E&E expenses for FY 2016 (10 months):

MMAC Attorney - \$39,984 annually
Administrative Analyst II (legal) - \$33,018 annually
Senior Office Support Assistant (SOSA) - \$24,906 annually
Medicaid Specialist (2) – (40,642 annually X 2) = \$81,284

Expenses are split 50/50 between federal and state funds.

Officials from the **DSS - MO HealthNet Division (MHD)** state MMAC audits in compliance with MHD regulations. There is no impact to MO HealthNet.

ASSUMPTION (continued)

Oversight notes the additional FTE requested by MMAC will allow the unit to maintain the current number of audits being performed each year. In effect, the new FTE will be used to absorb the increase in provider appeals that will be generated by as a result of this proposal.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Health and Senior Services**, the **Department of Mental Health**, the **Department of Corrections** and the **Joint Committee on Administrative Rules** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of Secretary of State (SOS)** did not respond to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
(\$208.152)			
<u>Costs - DSS- MMAC</u>			
Personal service	(\$74,663)	(\$90,492)	(\$91,397)
Fringe benefits	(\$38,828)	(\$47,060)	(\$47,531)
Equipment and expense	(\$12,527)	(\$15,407)	(\$15,792)
Total <u>Costs - DSS-MMAC</u>	<u>(\$126,018)</u>	<u>(\$152,959)</u>	<u>(\$154,720)</u>
FTE Change - DSS	2.5 FTE	2.5 FTE	2.5 FTE
 ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	 <u>(\$126,018)</u>	 <u>(\$152,959)</u>	 <u>(\$154,720)</u>
 Estimated Net FTE Change on the General Revenue Fund	 2.5 FTE	 2.5 FTE	 2.5 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
FEDERAL FUNDS			
(\$208.152)			
<u>Income - DSS-MMAC</u>			
Increase in federal reimbursements	\$126,018	\$152,959	\$154,720
<u>Costs - DSS- MMAC</u>			
Personal service	(\$74,663)	(\$90,492)	(\$91,397)
Fringe benefits	(\$38,828)	(\$47,060)	(\$47,531)
Equipment and expense	(\$12,527)	(\$15,407)	(\$15,792)
Total <u>Costs - DSS-MMAC</u>	<u>(\$126,018)</u>	<u>(\$152,959)</u>	<u>(\$154,720)</u>
FTE Change - DSS	2.5 FTE	2.5 FTE	2.5 FTE
 ESTIMATED NET EFFECT ON THE FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	2.5 FTE	2.5 FTE	2.5 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact on small business healthcare providers that accept MO HealthNet payments if they are, or are not, notified of changes in interpretation or application of reimbursement requirements by the Department of Social Services.

FISCAL DESCRIPTION

Under this proposal, if the Missouri Medicaid Audit and Compliance Unit changes any interpretation or application of the requirements for reimbursement for MO HealthNet services from the interpretation or application previously applied in an audit of a MO HealthNet provider, then such changes shall constitute a new rule and may be applied only if proper rulemaking procedures have been followed.

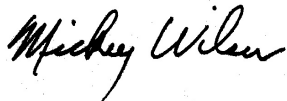
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Department of Health and Senior Services
Department of Mental Health
Department of Corrections
Department of Social Services -
 Missouri Medicaid Audit and Compliance Unit
 MO HealthNet Division
Joint Committee on Administrative Rules

Not Responding:

Office of Secretary of State



Mickey Wilson, CPA
Director
March 11, 2015

Ross Strope
Assistant Director
March 11, 2015