

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6487-01  
Bill No.: SB 1072  
Subject: Ambulances and Ambulance Districts; Emergencies; Health Care; Medicaid;  
 Social Services Department; Public Assistance  
Type: Original  
Date: April 6, 2016

Bill Summary: This proposal provides for reimbursement for emergency medical transportation services under MO HealthNet.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Intergovernmental Transfer*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income and expenses exceeding \$9 million annually beginning in FY 2018 net to \$0.

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Federal*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income and expenses exceeding \$16 million annually beginning in FY 2018 net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Intergovernmental Transfer Fund	0	1 FTE	1 FTE
Federal Funds	0	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>2</b>	<b>2</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS)** state this bill creates two new sections in Chapter 208, RSMo, which would authorize the MO HealthNet Division (MHD) to implement and administer supplemental payments to providers of ground emergency medical transportation for allowable medical expenditures. Participation by providers is voluntary; however, providers must be owned or operated by the state, a political subdivision, or local government. To receive supplemental payment, providers must enter into and maintain an agreement with the department to implement and reimburse the department for administrative costs. The non-federal share of the supplemental payment is to be paid with funds collected via intergovernmental transfer by eligible providers.

Section 208.1030 specifies the provisions for providing supplemental reimbursement to providers under the fee-for-service (FFS) program. FFS providers cannot receive a net payment from MHD which exceeds one hundred percent of actual cost. Section 208.1032 specifies the provisions for providing supplemental reimbursement to providers pursuant to a contract or other arrangement with a MO HealthNet managed care plan. The supplemental payment made to providers under managed care must be actuarially equivalent to FFS payments, but cannot exceed commercial reimbursement rates available. Furthermore, MO HealthNet managed care plans and coordinated care organizations are required to forward all payments received as part of an increased capitation payment for ground emergency transportation services to eligible providers.

MHD assumes DSS is required to obtain all necessary approvals from the Centers for Medicare and Medicaid Services (CMS) before supplemental payments can be made. Any portions of this bill that do not comply with CMS requirements will not be implemented per Section 208.158, RSMo.

MHD assumes it will need two additional staff to develop and implement the proposed supplemental payment program. These staff would be responsible for obtaining federal approval of the Upper Payment Limit (UPL) program, contacting eligible providers for data, and serve as the liaison with contractors working to develop the calculation and payment methodologies. A Fiscal Administrative Manager Band 1 position (\$48,144 annually) and Management Analyst Specialist II (\$41,940 annually) are requested implement the program. MHD assumes the costs of these positions will be supported by collections from participating providers as specified in the bill.

Similar to MHD experiences with other UPL initiatives, MHD will need funds to contract with a vendor for the UPL Demonstration and to perform ongoing actuarial analyses. MHD assumes contracted work would begin in FY17 with a goal to begin supplemental payments in FY18. The

ASSUMPTION (continued)

UPL Demonstration assumes \$50,000 is needed in the first year to develop a calculation with \$25,000 needed in subsequent years to calculate annual payments. MHD assumes \$50,000 is needed annually to ensure payments are actuarially sound. All contract costs are estimated at a 50/50 Federal/General Revenue (GR) split.

Because commercial rates and actual costs of these services are unknown, MHD assumes Medicare rates as the upper payment limit for the purposes of this analysis. Based on FY15 utilization of ground emergency medical transportation services, FY16 planned rates with the 1% rate increase effective January 1, 2016, and Medicare reimbursement as of January 2016, the supplemental payment for FFS providers could total \$15,333,064 in FY16. MHD assumes Medicaid rates will remain stagnant while Medicare rates will increase 3% each year. If the UPL program is not implemented until FY18, the total supplemental payments for FFS providers could total \$17,644,164.

MHD then determined the impact to eligible providers serving MO HealthNet recipients under a managed care contract by using December 2015 enrollment numbers. In December, there were 966,367 MO HealthNet enrollees. Of that number, 472,333 received services under MO HealthNet managed care. The remaining FFS enrollees (494,034) less disabled and elderly results in 257,878 individuals considered FFS Managed-Care like participants. Based on December 2015 expenditures, 24% of the FFS ambulance expenditures were made on behalf of Managed-Care like individuals (not aged, blind, or disabled). MHD determined a Medicaid per member per year (PMPY) cost for FY16 of \$21.12 ( $\$22,616,040 * 24.09\% / 257,898$ ) and a Medicare PMPY cost of \$35.45 ( $\$37,949,104 * 24.09\% / 257,898$ ). MHD then applied the FFS PMPY to the number of managed care enrollees less the number of participants that were aged, blind, or disabled since these populations use emergency medical transportation services at a higher rate than the managed care population. The FY16 supplemental payment under managed care would be \$6,764,428 ( $\$16,741,858 \text{ Medicare} - \$9,977,430 \text{ Medicaid}$ ). MHD assumes Medicaid rates will remain stagnant while Medicare rates will increase 3% each year. If the UPL program is not implemented until FY18, the total supplemental payments for managed care providers would total \$7,784,007.

Therefore, the total supplemental payment to all emergency medical transportation providers would be \$25,428,172 total funds ( $\$17,644,164 + \$7,784,007$ ). MHD assumes no GR would be used to make these payments as the entire state share would be transferred via IGT (Intergovernmental Transfer) to DSS.

**Oversight** notes per discussions with DSS officials that there is the DSS Intergovernmental Transfer Fund (#0139). Oversight assumes this is the fund that would be used for the draw down of supplemental payments for emergency medical transportation services.

ASSUMPTION (continued)

Officials from the **City of Kansas City (City)** state this legislation would allow the City to seek additional reimbursement of federal funds for the operation of its ambulance service. Depending upon the number of qualifying calls and current reimbursement experienced in other states, that amount could be up to \$6 million per year of additional federal funds.

Officials from the **City of Liberty (Liberty)** state this proposal would allow Liberty to collect a projected \$100,000 to \$150,000 annually. The funding would assist the Liberty in recouping uncompensated emergency medical service (EMS) costs that are not paid for by EMS patients.

Officials from the **University of Missouri (UM) Health Care** state they have reviewed the proposed legislation and determined that as written, it should not create additional expenses in excess of \$100,000 annually.

**Oversight** assumes this is the materiality threshold for the UM Health Care and that any costs incurred by UM can be absorbed within current resource levels.

Officials from the **Department of Health and Senior Services, the City of Columbia, Callaway County** and **Cass Regional Medical Center** each assume the proposal would not fiscally impact their respective agencies.

Officials from the following **counties**: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, Dekalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

Officials from the following **cities**: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Des Peres, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials from the following **ambulance districts**: St. Charles County Ambulance District, Taney County Ambulance District and Valle Ambulance District, did not respond to **Oversight's** request for a statement of fiscal impact.

ASSUMPTION (continued)

Officials from the following **hospitals**: Barton County Memorial Hospital, Bates County Memorial Hospital, Cedar County Memorial Hospital, Cooper County Hospital, Excelsior Springs Medical Center, Golden Valley Memorial Hospital, Hermann Area District Hospital, Macon County Samaritan Memorial Hospital, Putnam County Memorial Hospital and Washington County Memorial Hospital did not respond to **Oversight's** request for a statement of fiscal impact.

Officials from the following **fire protection districts**: Battlefield Fire Protection District, Central County Fire and Rescue, Centralia Fire Department, Creve Couer Fire District, DeSoto Rural Fire Protection District, Eureka Fire Protection, Hawk Point Fire Protection District, Hillsboro Fire Protection District, Jefferson County 911 Dispatch, Lake St. Louis Fire District, Mehlville Fire District, Nixa Fire Protection District, Saline Valley Fire Protection District and the Southern Iron County Fire Protection District did not respond to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>INTERGOVERNMENTAL TRANSFER FUND</b>			
<u>Income</u> - DSS (§§208.1030 and 208.1032)			
Payments from participating ambulance providers	\$0	\$9,471,195	\$10,103,060
<u>Costs</u> - DSS (§§208.1030 and 208.1032)			
Personal service	\$0	(\$45,493)	(\$45,947)
Fringe benefits	\$0	(\$22,521)	(\$22,645)
Equipment and expense	\$0	(\$52,734)	(\$43,949)
Program distributions	<u>\$0</u>	<u>(\$9,350,447)</u>	<u>(\$9,990,519)</u>
Total <u>Costs</u> - DSS	<u>\$0</u>	<u>(\$9,471,195)</u>	<u>(\$10,103,060)</u>
FTE Change - DSS	0 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON THE INTERGOVERNMENTAL TRANSFER FUND</b>			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on the Intergovernmental Transfer Fund	0 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>FEDERAL FUNDS</b>			
<u>Income - DSS (§§208.1030 and 208.1032)</u>			
Supplemental reimbursements	\$0	\$16,198,472	\$17,290,843
<u>Costs - DSS (§§208.1030 and 208.1032)</u>			
Personal service	\$0	(\$45,492)	(\$45,947)
Fringe benefits	\$0	(\$22,521)	(\$22,645)
Equipment and expense	\$0	(\$52,734)	(\$43,949)
Program distributions	<u>\$0</u>	<u>(\$16,077,724)</u>	<u>(\$17,178,302)</u>
Total <u>Costs - DSS</u>	<u>\$0</u>	<u>(\$16,198,471)</u>	<u>(\$17,290,843)</u>
FTE Change - DSS	0 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	0 FTE	1 FTE	1 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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.

FISCAL DESCRIPTION

Under this act, an eligible MO HealthNet provider may receive a supplemental reimbursement, in addition to the MO HealthNet reimbursement such provider would otherwise receive for ground emergency medical transportation services, provided that such reimbursement shall not exceed 100% of actual costs. The act specifies how such supplemental payment shall be calculated and how an eligible provider's claimed expenditures for the ground emergency medical transportation services shall be eligible for federal financial participation.

FISCAL DESCRIPTION (continued)

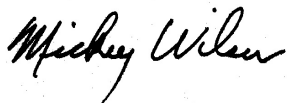
This act also requires the Department of Social Services to design and implement an intergovernmental transfer program relating to ground emergency medical transport services in order to increase capitation payments for the purpose of increasing reimbursement to eligible providers, managed care plans, and coordinated care organizations, as detailed in the act. Any eligible provider participating in this program shall agree to reimburse the Department for any costs associated with implementing the program.

All such provisions in this act are subject to federal approval, as necessary.

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 Social Services -  
    MO HealthNet Division  
University of Missouri Health Care  
City of Columbia  
City of Kansas City  
City of Liberty  
Callaway County  
Cass Regional Medical Center



Mickey Wilson, CPA  
Director  
April 6, 2016

Ross Strobe  
Assistant Director  
April 6, 2016