

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4177-02
Bill No.: SB 597
Subject: Chiropractors; Health Care; Health Care Professionals; Medicaid; Medical Procedures and Personnel; Physicians; Social Services Department
Type: #Updated
Date: February 16, 2018
 # Updated with new information from the Department of Social Services.

Bill Summary: This proposal requires that licensed chiropractors be reimbursed for the provision of MO HealthNet Services.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|----------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| #General Revenue | (\$1,440,466) | \$5,807,454 | \$6,181,173 |
| #Total Estimated Net Effect on General Revenue | (\$1,440,466) | \$5,807,454 | \$6,181,173 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| #Federal* | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

#* Income, savings, expenditures and losses could exceed \$10.8 million annually and net to \$0.

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

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 2019 | FY 2020 | FY 2021 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

§208.152- Chiropractors to be reimbursed under MO HealthNet

Officials from the **Department of Social Services (DSS)** state section 208.152(7) is added to include chiropractic physician as a provider for services currently covered by reimbursement under MO HealthNet.

The **MO HealthNet Division (MHD)** states in Section 208.152, which defines what medical services are to be paid by MO HealthNet on behalf of needy persons described in 208.151, other services explicitly read that the service must be medically necessary, such as (20) prescribed medically necessary durable medical equipment; (22) prescribed medically necessary dental services; and (23) prescribed medically necessary optometric services. In order to qualify for federal match, any service reimbursed by MO HealthNet must be deemed medically necessary. For the purpose of this fiscal note, MO HealthNet assumes the only chiropractic services that will be provided are those categorized as medically necessary which would qualify for federal match funds.

This legislation will increase utilization of currently paid procedure codes.

Studies that determined the utilization of chiropractic care in the general population were reviewed to determine the potential number of MO HealthNet (MHN) participants who might receive chiropractic care if this legislation passed. It is assumed that utilization in the MHN population would be similar to the general population. The National Center for Health Statistics (December 10, 2008) found that 8.6% of adults and 2.8% of children used chiropractic or osteopathic manipulation within the previous 12 months. MHD selected 9% for adults and 3% for children as the estimated population percentage that will use chiropractic services.

The number of MHN adults in fee-for-service (FFS) in October 2017 was 237,872. MHD excluded dual eligibles from this number (those with Medicare and Medicaid) because Medicare would be the primary payer in these instances. There were 154,956 dual eligibles, and therefore, the remaining non-dual adult FFS population is 82,916. It is estimated that 7,462 (82,916 x 9%) adult participants will utilize medically necessary chiropractic care. There were 3,157 children in FFS in FY17. It is estimated that 95 (3,157 x 3%) will utilize medically necessary chiropractic care. Therefore, a total of 7,557 FFS participants are estimated to use medically necessary chiropractic care in FFS.

ASSUMPTION (continued)

It is assumed under this legislation chiropractors would, at a minimum, bill for manipulative treatment and certain physical therapies. Procedure codes 98940, 98941, and 98942 are codes not currently covered by MHD. Based on rates provided by the industry for osteopathic manipulations, and weighted by the utilization frequency of 98940, 98941, and 98942, MHD arrived at an average rate of \$23.48. This was further reduced by an additional \$3.00 for copay, for a net cost per visit of \$20.48.

The number of medically necessary chiropractic visits that will be prior authorized for each participant is assumed to be 14.4 visits per year, based on the annual number of recommended chiropractic visits found in "A Survey of Practice Patterns and the Health Promotion and Prevention Attitudes of US Chiropractors" (Rupert, RL). The annual cost for one person in FFS will be \$294.91 (14.4 visits x \$20.48 (\$23.48 less \$3.00 copay)). The total yearly FFS cost would be \$2,228,635 (\$294.91 x 7,557 participants).

It is assumed under this legislation that an increase in provider access from the addition of chiropractic providers will increase utilization for other physical therapy services within the chiropractic scope of work that are typically offered by a physician's office. Procedure codes 97014, 97032, 97035, 97110, 97124 and 97140 are therapy codes highly utilized in the physician office setting that could fall under the chiropractor's scope of work.

For the Managed Care (MC) population, MO HealthNet used the same methodology as FFS. The number of MHD adults in MC in October 2017 was 119,162. It is estimated that 10,725 (119,162 x 9%) participants will utilize medically necessary chiropractic care. There were 619,491 children in MC in October 2017. It is estimated that 18,585 (619,491 x 3%) will utilize medically necessary chiropractic care. Therefore, a total of 29,310 (10,725 adults + 18,585 children) participants are estimated to use medically necessary chiropractic care in MC. The annual cost for one person is estimated to be \$294.91. The total yearly cost for MC would be \$8,643,812 (29,310 participants X \$294.91).

Physical therapy is not currently a covered benefit for adults. MHD assumes 600 children less than 19 years of age in MC may receive 14.4 physical therapy treatments annually at an average cost of \$13.94 (\$16.94 less an additional \$3.00 for copays). The yearly cost for physical therapy for children in MC would be \$120,442.

There will also be a one-time system cost of \$200,000 to add a new provider type and a one-time cost for an actuarial study for managed care of \$50,000.

ASSUMPTION (continued)

It is assumed there will be only a 10 month cost in FY19. Medical inflation of 3.8% was applied to FY20 and FY21.

#FY19 (10 months): \$9,080,401 (GR \$3,159,707; FF \$5,920,694)

FY20: \$11,210,477 (GR \$3,900,909; FF \$7,309,568)

FY21: \$11,636,476 (GR \$4,049,145; FF \$7,587,331)

#MO HealthNet may see savings by including chiropractic physicians as a provider group. Based upon an analysis of using alternative treatments from such chiropractic services, physical therapy, and acupuncture as well as cognitive-behavioral therapy in lieu of prescribing opioids for pain, savings were achieved by reducing costs for hospital, pharmacy and physician visits.

#The portion of FY 19 savings related to chiropractic services is estimated to be \$5.3 million; FY 20 savings is estimated at \$27.9 million; and FY 21 savings could be up to \$29.4 million.

#Total fiscal impact for chiropractic services in lieu of opioids for pain:

#FY 19 (10 months) **cost**: \$4,030,401 (\$1,440,466 GR; \$2,589,935 Federal);

#FY 20 **savings**: \$16,689,523 (\$5,807,454 GR; \$10,882,069 Federal);

#FY 21 **savings**: \$17,763,524 (\$6,181,173 GR; \$11,582,351 Federal)

The **Division of Legal Services (DLS)** state the proposal will have no impact to the DLS, but defer to MHD to determine costs for the proposal.

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|--|-----------------------------|---------------------------|---------------------------|
| GENERAL REVENUE FUND | | | |
| <u>#Savings - DSS (§208.152)</u> | | | |
| #Reduction in program expenditures | \$1,844,241 | \$9,708,363 | \$10,230,318 |
| <u>Costs - DSS (§208.152)</u> | | | |
| Increase in state share of program expenditures | (\$3,159,707) | (\$3,900,909) | (\$4,049,145) |
| Actuarial study and system update | (\$125,000) | \$0 | \$0 |
| Total <u>Costs</u> - DSS | <u>(\$3,284,707)</u> | <u>(\$3,900,909)</u> | <u>(\$4,049,145)</u> |
| #ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND | <u>(\$1,440,466)</u> | <u>\$5,807,454</u> | <u>\$6,181,173</u> |

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|--|----------------------|-----------------------|-----------------------|
| FEDERAL FUNDS | | | |
| <u>Income</u> - DSS (§208.152) | | | |
| Increase in program reimbursements | \$6,045,694 | \$7,309,568 | \$7,587,331 |
| <u>#Savings</u> - DSS (§208.152) | | | |
| #Reduction in program expenditures | \$3,455,759 | \$18,191,637 | \$19,169,682 |
| <u>Costs</u> - DSS (§208.152) | | | |
| Increase in program expenditures | (\$5,920,694) | (\$7,309,568) | (\$7,587,331) |
| Actuarial study and system update | (<u>\$125,000</u>) | <u>\$0</u> | <u>\$0</u> |
| Total <u>Costs</u> - DSS | <u>(\$6,045,694)</u> | <u>(\$7,309,568)</u> | <u>(\$7,587,331)</u> |
| <u>#Loss</u> - DSS (§208.152) | | | |
| #Reduction in program reimbursements | <u>(\$3,455,759)</u> | <u>(\$18,191,637)</u> | <u>(\$19,169,682)</u> |
| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>FISCAL IMPACT - Local Government</u> | | | |
| | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

This proposal could have a direct, positive fiscal impact on small business chiropractors if they decide to become MO HealthNet providers.

FISCAL DESCRIPTION

This act authorizes MO HealthNet reimbursement for services provided to MO HealthNet participants by licensed chiropractic physicians.


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

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SOURCES OF INFORMATION

Department of Social Services -
MO HealthNet Division
Division of Legal Services

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
February 16, 2018