

Fiscal Note Request HB0469, As Introduced

(continued)

- 7. Programming is billed by Affiliated Computer Services, Inc. (ACS), the MMIS Fiscal Agent at \$110 per hour for a total of \$110,000 for FY2006.
- 8. It is assumed that these costs are funded at the Medicaid Administrative rate of 25 percent general funds and 75 percent federal funds.

Quality Assurance Division:

- 9. States are required to have a post-payment review process for Medicaid paid claims (42 CFR 456). DPHHS has a Surveillance/Utilization Review Section (SURS) within the Quality Assurance Division. SURS carries out the federally mandated program that performs retrospective reviews of paid claims. SURS is required to safeguard against unnecessary and inappropriate use of Medicaid services and against excess payments.
- 10. States are required by law to refund the federal share of Medicaid overpayments to providers (42 CFR 433). In accordance with Title XIX of the Social Security Act, as outlined in 42 CFR 433, a state has 60 days from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the state is made. That adjustment must be made at the end of the 60 days, whether or not recovery is made. The only exception is if a state is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectible.
- 11. Federal Law, 42 CFR 447, requires states to pay providers in a timely fashion. Specifically:
 - a. The agency [DPHHS] must pay 90 percent of all clean claims from practitioners, who are in individual or group practice or who practice in shared health facilities, within 30 days of the date of receipt [of a claim].
 - b. The agency [DPHHS] must pay 99 percent of all clean claims from practitioners, who are in individual or group practice or who practice in shared health facilities, within 90 days of the date of receipt [of a claim].
- 12. Montana Medicaid paid approximately 6,667,205 claims to 12,851 providers in FY 2004 through our fiscal agent, Affiliated Computer Services, Inc. (ACS). The computerized system used to pay Medicaid claims has a number of edits “built into” the system to prevent improper payments (such as duplicate payment, age and sex edits, provider type matches service performed, etc.) No automated system, however, is capable of identifying all possible overpayments or underpayments.
- 13. It is assumed that under this bill DPHHS will be required to pay the federal government their share of the amount that would have been recovered from the provider using general funds. For SURS recoveries alone, the general fund cost for this payback would have been \$1,175,351 in FY 2002; \$1,174,194 in FY 2003; and \$978,893 in FY 2004.
- 14. Additional costs for automatic mass adjustments that are made through the payment system were \$418,010 in FY 2002; \$19,966 in FY 2003; and \$28,316 in FY 2004.
- 15. It is estimated that the federal portion for repayment on SURS recoveries and mass adjustments would be \$1,264,909 in FY 2006 and \$1,264,909 in FY 2007.

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$110,000	
Benefits	<u>\$1,264,909</u>	<u>\$1,264,909</u>
TOTAL	<u>\$1,374,909</u>	<u>\$1,264,909</u>

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Funding of Expenditures:

General Fund (01)	\$1,292,409	\$1,264,909
Federal Special Revenue (03)	<u>\$82,500</u>	<u>\$0</u>
TOTAL	1,374,909	\$1,264,909

Revenues:

General Fund (01)	(\$73,225)	(\$74,800)
Federal Special Revenue (03)	\$82,500	\$0

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$1,365,634)	\$1,339,709
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TECHNICAL NOTES:

1. Recoveries for provider billing errors is required by Federal Medicaid law. Provisions of this bill are in violation with those Federal Medicaid statutes.
2. An alternative to utilizing a post payment review process would be to review all claims prior to payment. There is no automated medical claims payment systems (private or public) that performs this function. It would require significant increase in manual claims review to attempt to tie 6,667,205 claims per year to a medical record. ACS (the state's fiscal agent for claims payment) estimates 240 FTE at \$30,000 each per year to manually process the claims or \$7,200,000/year.
3. It is unknown if under this bill the DPHHS would be in compliance with the Health Insurance Portability and Accountability Act (HIPAA) with which all medical payment systems must comply.
4. General fund impact may be understated because it is unknown how many overpayments providers return to the department on their own.
5. DPHHS have discussed with the CMS regional auditor whether the federal government would require payback of the federal portion of what should have been recovered from a provider(s) if this bill passes. Specifically, would the prohibition on provider recoveries under state law be considered uncollectible under the federal statute at 42 CFR 433? The auditor indicated, and state staff agrees based on their research, that the state would need to pay back the federal portion regardless of whether it was collected from the provider(s).