



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0077	Title:	Right of recovery under Medicaid provisions of the deficit reduction act
Primary Sponsor:	Clark, E.	Status:	As Introduced

- Significant Local Gov Impact
 Include in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$49,225	(\$56,682)	(\$72,427)	(\$89,746)
Federal Special Revenue	\$65,775	(\$123,318)	(\$157,573)	(\$195,254)
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>(\$49,225)</u>	<u>\$56,682</u>	<u>\$72,427</u>	<u>\$89,746</u>

Description of Fiscal Impact:

This fiscal note estimates the impact on the Medicaid budget and related administrative costs associated with the implementation of provisions of the Federal Deficit Reduction Act of 2005 pertaining to Third Party Liability (TPL) and the False Claim Act (FCA). In addition, this fiscal note estimates the cost savings related to Medicaid benefits, which are attributed to additional cost avoidance of Medicaid benefit expenditures by ensuring other insurance pays before Medicaid.

This fiscal note also identifies \$160,000 in administrative data systems costs to conduct Business Process Review (BPR) and systems enhancements applicable to the Medicaid claims systems and eligibility systems regarding third party liability coordination of benefits of Medicaid claims.

FISCAL ANALYSISAssumptions:

1. The Technology Services Division (TSD) would complete a Business Process Review (BPR) analysis of all applicable Medicaid systems to determine the level of effort to create an electronic interface with health insurers and automate data systems to track data and cost avoid healthcare claims for Medicaid.
2. TSD currently does not have sufficient staff to complete such a review in a timely manner. TSD would contract for services to conduct the review and complete an analysis report with recommendations.
3. Current contracted rates for Business Process Reviews are \$80.00 per hour.
4. Total estimated cost for a Business Process review of applicable Medicaid systems would cost \$60,000 (750 hours x \$80.00 per hour = \$60,000), based upon similar Business Process Review projects. Review and analysis is anticipated to begin July 1, 2007.
5. Current contracted rates for MMIS system enhancements are \$111.00 per hour.
6. Estimated costs for system enhancements for the Medicaid Management Information System (MMIS) are approximately \$66,600, based upon similar projects that create HIPAA electronic claim transactions. (600 hours x \$111.00 per hour = \$66,600).
7. Current contracted rates for Medicaid eligibility system enhancements \$112.00 per hour.
8. Estimated costs for system enhancements for the Medicaid eligibility system is approximately \$33,600 based upon similar projects to generate updates for eligibility information and create reports and alerts for eligibility workers. (300 hours x \$112.00 per hour = \$33,600).
9. The BPR and Medicaid eligibly enhancements have a Medicaid administration funding split of 50 percent general fund and 50 percent federal fund.
10. The MMIS enhancements have a Medicaid systems funding split of 25 percent general funds, and 75 percent federal funds.
11. During system development process the department will begin discussions with health insurance carriers to develop an electronic data exchange utilizing HIPAA standard transactions and code sets.
12. Health insurance carriers will automate data exchange with the state Medicaid program. The department will then begin doing data matches with at least one carrier in January 2008.
13. One carrier will participate in the first year, four carriers in the second year, ten carriers in the third year, and fifteen carriers in the fourth year.
14. The required duties to implement and test system enhancements will be performed by existing staff. Automation of data exchange will alleviate the burden of manual processes; however, automation requires administrative changes and monitoring of systems to ensure they are working optimally.
15. Additional cost avoidance of Medicaid benefits is based upon an increase in cost avoidance of .25 percent (\$45,000) in FY 2008, 1 percent (\$180,000) in FY 2009, 1.25 percent (\$230,000) in FY 2010, and 1.5 percent (\$285,000) in FY 2011.
16. The additional cost avoidance is based upon current TPL cost avoided claims of 17 million dollars inflated forward from year to year at 2 percent.
17. There is no fiscal impact regarding the changes to the False Claim Act (FCA). Historically, recoveries under this type of provision have been variable precluding any accurate projections. However, the changes to the act by the Deficit Reduction Act of 2005 do provide an incentive for adoption of the FCA provisions by decreasing the Federal Medical Assistance Percentage (match rate) by ten percentage points for recoveries from legal actions brought pursuant to this law.
18. The department cannot reasonably estimate the number and amount of overpayments subject to the FCA that will be brought pursuant to this law.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$ 160,200	\$ -	\$ -	\$ -
Benefits	\$ (45,000)	\$ (180,000)	\$ (230,000)	\$ (285,000)
TOTAL Expenditures	\$ 115,200	\$ (180,000)	\$ (230,000)	\$ (285,000)
<u>Funding of Expenditures:</u>				
General Fund (01)	\$ 49,325	\$ (56,682)	\$ (72,427)	\$ (89,746)
Federal Special Revenue (03)	\$ 65,875	\$ (123,318)	\$ (157,573)	\$ (195,254)
TOTAL Funding of Exp.	\$ 115,200	\$ (180,000)	\$ (230,000)	\$ (285,000)
<u>Revenues:</u>				
General Fund (01)	\$ -	\$ -	\$ -	\$ -
Federal Special Revenue (03)	\$ -	\$ -	\$ -	\$ -
TOTAL Revenues	\$ -	\$ -	\$ -	\$ -
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$ (49,325)	\$ 56,682	\$ 72,427	\$ 89,746
Federal Special Revenue (03)	\$ (65,875)	\$ 123,318	\$ 157,573	\$ 195,254

Sponsor's Initials

Date

Budget Director's Initials

Date