

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2020-21		FY 2021-22	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill changes the term “program recovery audit” to “program integrity.” It prohibits extrapolated overpayment recoveries. No repayments would be required for a clerical error if the correct service was provided and paid. Legislative intent is to establish and maintain integrity procedures and guidelines for the Medicaid Program that meet the minimum federal requirements and that coordinate with federal program integrity efforts. The program integrity contractor retained by the Department of Health and Human Services or the federal Centers for Medicare and Medicaid (CMS) is required to work with the department at the start of a recovery audit to review policies, procedures, regulations and guidelines regarding program integrity audits.

The prohibition on using extrapolation of overpayments for recoveries would reduce collections which offset both State and federal Medicaid expenditures. The amount is unknown.

As the bill states the intent is to maintain procedures and guidelines that meet the minimum federal requirements, it appears the provision in 68-974(4) may be in conflict with this intent. The change from “program recovery audits” to program integrity” broadens the scope of audits. This change would also broaden the restriction on the use of federal contractors to perform audits on claims processed through the Medicaid managed care. Currently those contractors are paid by the Centers for Medicare and Medicaid. Without the ability to use these federal contractors the Department of Health and Human Service indicates five staff would need to be hired to conduct required federal audits. The cost would be \$320,786 (\$160,393 GF and FF) in FY 2021 and \$427,714 (\$213,857 GF and FF) in FY 2022.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB:	1105	AM:	AGENCY/POLT. SUB: Nebraska Department of Health and Human Services
REVIEWED BY:	Ann Linneman	DATE:	2-14-20
		PHONE:	(402) 471-4180
COMMENTS: No basis to disagree with the Nebraska Department of Health and Human Services’ analysis and estimate of fiscal impact.			

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Mike Michalski

Date Prepared 1-22-2020

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	<u>FY 2020-2021</u>		<u>FY 2021-2022</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$160,393		\$213,857	
CASH FUNDS				
FEDERAL FUNDS	\$160,393		\$213,857	
OTHER FUNDS				
TOTAL FUNDS	\$320,786		\$427,714	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 1105 removes extrapolation as a form of calculating the amount to be recovered in an audit. This could reduce the amount recovered associated with random sample audits. The possible reduction in recoveries cannot be determined at this time.

Additionally the removal of extrapolation from the regulations would require the Department of Health and Human Services to absorb the cost to make changes to sections 471 of the regulations. The chart below details the absorbed costs associated with updating the regulations.

Title	Hour(s)	Hourly Cost	Absorbed Cost
Director	1	74.28	\$ 74
Deputy Director	1	53.48	\$ 53
Administrator I	1	30.82	\$ 31
Program Specialist	2	22.52	\$ 45
Program Analyst	4	21.91	\$ 88
Attorney 3	10	33.82	\$ 338
Total Costs	19		\$ 629

This bill eliminates the ability of federal program integrity contractors, which are available at no cost to the state, to audit the managed care entities, their adjudication of claims, and the encounter data they submit to the Nebraska Department of Health and Human Services. As a result, the state would need five additional staff starting October 1, 2020 to meet the requirements in LB 1105.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2020-2021	2021-2022
		20-21	21-22	EXPENDITURES	EXPENDITURES
	DHHS Program Specialist	4	4	\$142,621	\$190,162
	Medicaid Provider Fraud and Abuse Investigator	1	1	\$36,724	\$48,965
	Benefits.....			\$69,712	\$92,949
	Operating.....			\$71,729	\$95,638

