

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2015-16		FY 2016-17	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

This bill requires all rate increases for providers of behavioral health services under Medicaid to be passed on in their entirety to the providers by any at-risk managed contractor. Rate increases would be in effect on the first day of the fiscal year following enactment. Information would be presented by the start of the fiscal year showing the distribution of the rate increases by billing code and showing that the funds were used solely for rate increases.

This bill requires Medicaid rate increases to be passed on to providers in their entirety. This section does not direct the way the rate increases are distributed. There would be no fiscal impact to this provision.

This bill also requires notification of the changes prior to the beginning of the fiscal year and rate changes to begin on the first day of the fiscal year. There may be timing issues that make these provision unworkable or that could add administrative costs of an unknown amount.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 21	AM:	AGENCY/POLT. SUB: HHS	
REVIEWED BY: Elton Larson		DATE: 3/01/2015	PHONE: 471-4173
COMMENTS: HHS fiscal note based on assumption that managed care contractors governing at-risk managed care service delivery would not agree to continue business with the state without the possibility for adjustment to admin associated with state appropriations for rates.			

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 Mason

Date Prepared:(4) 2-23-15

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	<u>FY 2015-2016</u>		<u>FY 2016-2017</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$837,466		\$868,549	
CASH FUNDS				
FEDERAL FUNDS	\$895,534		\$909,451	
OTHER FUNDS				
TOTAL FUNDS	\$1,733,000		\$1,778,000	

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

Explanation of Estimate:

LB 21 requires all rate increases for providers of behavioral health services, under the medical assistance program, to be passed on in their entirety to such providers by any contractor governing at-risk managed care service delivery for behavioral health services. This legislation also requires any rate adjustments made by the contractor to be reported to the Division of Medicaid and Long-Term Care (MLTC), the Division of Behavioral Health, and to the Appropriations Committee of the Legislature.

The required report must identify the distribution of funds for the rate increase, detailed by billing code. The report must also show and verify that such funds were used solely for the rate increase. The additional administrative burden for the contractor would result in an increased administration factor in the calculation of the capitation rates.

Managed care delivery systems are designed to manage utilization, cost, and quality. The current behavioral health managed care contract does not require the contractor to reimburse network providers at the Medicaid Fee-For-Service (FFS) rates. This gives the managed care plan flexibility in negotiating reimbursement rates when contracting with the network of providers. This is consistent with the physical health managed care contracts.

Over 96 percent of the Medicaid population is enrolled in the Medicaid Behavioral Health managed care plan. The cost to Medicaid is the capitation payment made to the managed care plan, rather than the direct cost of care to the provider. Rate increases represent a portion of calculations included in the development of the actuarially sound capitation rates. The rate development by the actuaries also includes, for example, cost and utilization experience, population trends, pricing trends, administrative load, medical loss ratio, managed care savings, and allowable profit.

Eliminating the managed care contractor’s ability to negotiate rates will directly affect the capitation rate calculations. Changing the managed care delivery model through the requirement to match the Medicaid FFS rate structure and increases would create impacts to both the aid and the operations budgets of MLTC.

The estimated fiscal impact to the Medicaid aid budget of for SFY2016 would be approximately \$1,718,000 (\$829,966 GF; \$888,034 FF). The estimated fiscal impact to the Medicaid aid budget of for SFY2017 would be approximately \$1,763,000 (\$861,049 GF; \$901,951 FF). This includes an increase to the administrative percentage in the capitation rates to the maximum allowable. This amount is limited by the provisions of LB1158, which currently sits just 1 percent below the cap.

LB21 requires a rate increase to be in effect on the first day of the fiscal year following enactment. In order for the managed care entity to ensure that their systems are updated in time, notification of the amount of the rate increase must be provided sixty (60) to ninety (90) days prior to the start of the fiscal year. Notification to the actuaries must occur early enough to allow for calculations of the capitation rates to be completed in time

to allow for MLTC review and approval processes and in time for rates to be updated in payment systems prior to the start of the fiscal year.

The estimated impact to the MLTC operations budget in SFY2016 and SFY 2017 would be \$15,000 (\$7,500 GF; \$7,500 FF) for actuarial services to incorporate the provider rate changes into the capitation rate calculations.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2015-2016	2016-2017
	15-16	16-17	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....			\$15,000	\$15,000
Travel.....				
Capital Outlay.....				
Aid.....			\$1,718,000	\$1,763,000
Capital Improvements.....				
TOTAL.....			\$1,733,000	\$1,778,000