

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$1,551,081		\$1,943,758	
CASH FUNDS				
FEDERAL FUNDS	\$7,104,848		\$5,421,831	
OTHER FUNDS				
TOTAL FUNDS	\$8,655,929		\$7,365,589	

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

This bill places new requirements on the Department of Health and Human Services and managed care organizations that provide behavioral health services under the Medicaid Program. Behavioral health providers could request from the Department uniform patient encounter data. The Department would develop uniform standards for managed care organizations to use. The Department would provide and independent audit of paid and denied claims at least annually. On or after January 1, 2020, a behavioral health provider may request and external independent third-party review of a final decision by a managed care organization.

Based on information gathered from other states with similar processes, costs would be substantial. The Department estimates that six additional FTE would be needed. The personnel and operating costs would be \$409,442 (\$204,721 GF and FF) in FY 2018-19 and FY 2019-20. Vendor contractual costs would be \$8,246,487 (\$1,346,360 GF and \$6,900,127 FF) in FY 2018-19 and \$6,956,147 (\$1,739,037 GF and \$5,217,110 FF) in FY 2019-20.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 835 AM:	AGENCY/POLT. SUB: Department of Health and Human Services (DHHS)	
REVIEWED BY: Elton Larson	DATE: 2/5/2018	PHONE: (402) 471-4173
COMMENTS: DHHS analysis and estimate of fiscal impact appear reasonable.		

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: 1-8-18

Phone: (5) 471-5046

	<u>FY 2018-2019</u>		<u>FY 2019-2020</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$1,593,950		\$1,986,627	
CASH FUNDS				
FEDERAL FUNDS	\$7,147,717		\$5,464,700	
OTHER FUNDS				
TOTAL FUNDS	\$8,741,667	\$0	\$7,451,327	\$0

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

Explanation of Estimate:

LB835 would establish a standardized provider appeal process for disputes between a Managed Care Organization (MCO) and Behavioral Health (BH) provider through an External Independent Third Party Reviewer (EITPR). This legislation assumes that BH providers should be given additional appeal rights based on their credentials. Granting an additional level of appeal rights would require additional efforts to do independent review and audit and would also require additional staff to ensure the proper monitoring and oversight. The Medicaid and Long-Term Care (MLTC) team of the Department of Health & Human Services (DHHS) will require an additional 3 full time employees (FTE) as program Coordinators, one assigned to each Heritage Health Plan to manage the requirements of this bill.

This law would also establish a streamlined standardized enrollment and credentialing process for BH providers that participate in Managed Care. It is important to mention that screening and enrollment requirements are different than credentialing requirements for a Medicaid provider with an MCO. Hence, DHHS would need to procure a Centralized Provider Manager (CPM) vendor for enrolling and credentialing BH provider that participate in Managed Care as the credentialing requirements, which are not currently within the scope of existing contract. Contracting with a new vendor would include procurement costs, startup cost, ongoing maintenance cost and one FTE as Program Specialist from Provider Screening and Enrollment to monitor and oversee the contract.

DHHS is required to provide accurate and uniform patient encounter data that complies with the federal Health Insurance Portability and Accountability Act (HIPAA) of 1996 and applicable federal and state statutory and regulatory requirements. In order to set up a process to receive, track, verify and respond; the Data & Analytics team would require two FTEs: a Staff Assistant I and a Statistical Analyst II.

Assuming an implementation date of 7/1/2018, below is the breakdown of estimated expenditures:

- Additional staffing of (6) FTEs (3 Program Coordinators, 1 Program Specialist, 1 Staff Assistant I and 1 Statistical Analyst II) would increase cost for program 263 by \$495,180 total funds (\$247,590 GF, \$247,590 FF) annually.
- Cost to procure a CPM vendor would increase expenditures for program 263 by \$1,065,920 total funds (\$959,328 FF, \$106,592 GF) in SFY19. There would be an additional cost of \$3,702,493 total funds (\$3,332,244 FF, \$370,249 GF) as startup cost to implement a program with CPM vendor, this would increase expenditures for program 263 in SFY19.
- DHHS also assumes there would be an estimated annual ongoing Maintenance and Operation (M&O) cost for CPM vendor which includes; IS&T staffing, contractor (M&O) cost, consulting services cost and hardware cost, this would increase expenditures for program 263 by \$3,478,074 total funds

(\$2,608,555 FF, \$869,519 GF) in SFY19 and \$6,956,147 total funds (\$5,217,110 FF, \$1,739,037 GF) in SFY20.

Other states have had similar bills passed, however operationalize their programs differently from Nebraska. Below is the summary of their estimated fiscal impacts:

The State of Kentucky had estimated their fiscal impact in excess of \$1.4 million for implementation of similar bill. However, in Kentucky the Attorney General's office oversees the administrative appeal process, whereas in Nebraska DHHS oversees the process. Their costs are different from Nebraska's and does not include a requirement to manage a contract for a third party vendor. Also, Kentucky noted they were unable to estimate the costs this could add to their managed care rates. The state of Kansas did in fact pass similar legislation in 2017 with a fiscal impact is \$5.3 million per year just for the services of the EITPR, in Kansas their legislation is not effective until 2020 and they also could not estimate the impact to the managed care rates. Kansas estimated 7 additional FTE's would be needed to oversee the new process but did not specify the type of position or what department handles the appeals. This concept has been discussed in Virginia, Georgia, and Florida with no operationalizing information readily available. The price tag across the country to implement similar third party reviewers is significant.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2018-2019	2019-2020
	18-19	19-20	EXPENDITURES	EXPENDITURES
DHHS Program Coordinators	3	3	\$151,052	\$151,052
Program Specialist	1	1	\$46,837	\$46,837
Staff Assistant I	1	1	\$32,061	\$32,061
Statistical Analyst II	1	1	\$42,613	\$42,613
Benefits.....			\$100,876	\$100,876
Operating.....			\$8,368,228	\$7,077,888
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....			\$8,741,667	\$7,451,327