PREPARED BY: Liz Hruska
DATE PREPARED: March 26, 2019
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LB 645

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2019-20		FY 2020-21	
	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 removes ground emergency medical transport (GEMT) services under Medicaid from managed care and makes it a fee-for-service reimbursement. The bill requires the Department of Health and Human Services to submit a state plan amendment to the Centers for Medicare and Medicaid to provide the supplemental reimbursement rate for emergency ground transport services. The bill provides for a five percent administrative fee.

The bill provides for pass-thru funding to local subdivisions providing GEMT. Managed care payments are no longer eligible for these pass-thru payments except for states that are grandfathered in. In order to claim the pass-thru payments, the reimbursement must be through fee-for-service. Currently, other than long-term care services, the amount of Medicaid claims paid through fee-for-service is relatively small. The department is moving towards placing all services into managed care over time. Because of their intent to move to a total managed care system, the department is phasing-out the current fee-for-service payment system, MMIS. To pay GEMT costs outside of managed care would require the department to develop an alternative electronic payment system.

The department has outlined staff and contracting costs that would be required for both the alternative payment system and for staff to implement and administer the pass-thru payments. The costs identified are significant. More information is needed to evaluate the potential costs, but it does appear the 5% administrative fee would fall short of covering the costs. Costs not covered by the administrative fee would be paid by General Funds.

The pass-thru funds would provide additional revenue to subdivision that participate. It's unknown how many political subdivisions would participate, so an estimate of potential revenue can be determined without further study.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 645	AM:	AGENCY/POLT. SUB: Nebraska Department of Health and Human Services		
REVIEWED BY: Ann Linneman		DATE: 3-26-19		PHONE: (402) 471-4180

COMMENTS: No basis to disagree with the Nebraska Department of Health and Human Services' assessment of fiscal impact.

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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 3-21-19 Phone: (5) 471-6719

	FY 2019-2020		FY 2020-2021	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	$3,624,834	$122,328	$3,517,315	$131,031
CASH FUNDS				
FEDERAL FUNDS	$24,008,458		$11,683,858	
OTHER FUNDS				
TOTAL FUNDS	$27,635,292	$122,328	$15,201,173	$131,031

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

Explanation of Estimate:

LB 645 changes the billing practice for ground emergency medical transport (GEMT) services for the Division of Medicaid and Long-Term Care (MLTC) in the Department of Health and Human Services (DHHS). GEMT services that are currently paid in Managed Care would be required to be paid on a fee for service (FFS) basis, changing the operating paradigm to be in conflict with both the division's short and long term strategies for managing the Medicaid benefit package.

If LB 645 were to pass, MLTC would need to change the current course of direction of sun setting the Medicaid Management Information System (MMIS) claims payment functionality, creating a new longer term dependency on replacing the current MMIS claims payment function. MLTC has received a recent bid to replace the MMIS claims payment functionality, which included an initial startup cost for design, development, and implementation (DDI) of a CMS certifiable system of $22.6 million. Federal funding for the DDI would be approximately $20 million leaving general fund costs of $2.6 million. It is assumed that the DDI would begin in SFY2020. Assuming DDI completion at the end of SFY 2020, the annual, ongoing maintenance and operations cost of approximately $10 million per year would begin in SFY2021. The operations cost of a certified system is 75% (Federal Financial Participation (FFP), resulting in $7.5 million of cost of federal funds and $2.5 million for general funds.

Additionally, in order to complete the claims payment requirements of LB 645, additional staff of four would be required for claims payment, program integrity activities, and accounting support. It is assumed that these staff would be hired in July of 2019, and staff needs are as listed at 50% FFP:

Medicaid Provider Fraud & Abuse Investigator
DHHS Program Manager I
DHHS Payments Reviewer
Accounting Clerk I

The technology team would also need to make system changes to begin FFS claims processing for GEMT within the current MMIS system until the new claims broker is operational. The costs for this are estimated to be $50,000 in total funds at 75% FFP.

Implementation of the proposed bill would require DHHS to generate, submit, and receive approval for a SPA (State Plan Amendment) from CMS (Centers for Medicare and Medicaid Services). The proposed changes would also require an amendment of the 1915B Waiver, amendments to the current Managed Care Organization (MCO) contracts, and revisions to capitation rates. The cost for this work is estimated to be $30,000 at 50% FFP.

The bill provides a mechanism to increase reimbursements above the Medicaid published fee schedule reimbursement amounts, potentially up to the amount of the actual cost of providing GEMT services. DHHS would have to establish processes to implement retrospective supplemental payments with each participating entity, which is potentially over 400 statewide public participating GEMT providers to pay supplemental payments less the allowed administrative fees.

MLTC estimates the potential difference in reimbursement between the statewide cost and the Medicaid allowed amounts reimbursed based on the published fee schedule to be approximately $5.4 Million in total funds in SFY2020 and $5.8 Million in total funds in SFY2021. The federal funds pass- through supplemental payment amount is estimated to be approximately $2.96 Million in SFY2020 and $3.17 Million in SFY2021.

The bill strikes the IGT (intergovernmental transfer) language from the existing statute replacing the IGT with a certified public expenditure (CPE) arrangement for the non-federal share. The bill also reduces the nonfederal share/CPE administrative fee paid by GEMT service providers to DHHS from 20% to 5%. This fee is estimated to be approximately $122,328 in SFY2020 and $131,013 in SFY2021, or 5% of the nonfederal share of the supplemental pass-through payment. For DHHS this fee is “revenue” that can offset some of the anticipated costs of operating the program. It is important to note that the CPE by definition involves an attestation from the public ambulance provider assuring that the non-federal share of the expenditure was met by the provider. The providers would be required to begin producing cost reports to the department to develop the supplemental payments and participate in the program. Each potentially eligible public GEMT would need to be managed separately in accordance to each of their respective governing authorities.

In order to complete the supplemental payment requirements of LB 645, additional staff of eight would be required for program integrity activities, implementation, operations, auditing, federal reporting, procurements, as well as finance and accounting support. It is assumed that these staff will be hired in July of 2019, and staff needs are as listed at 50% FFP:

DHHS Fiscal Project Analyst
Cost Report Desk Auditor
Medicaid Provider Fraud & Abuse Investigators (2)
DHHS Program Manager I
Accountant I
Budget Analyst
Internal Auditor

In addition to the internal staffing needs, DHHS would likely need to procure a vendor to support the agency in the retrospective calculation of the supplemental payment amounts for each of the participating providers. MLTC has procured similar services for supplemental payments and audits for other programs and estimates a cost of approximately $10,000 per provider per year. Assuming 100 of the 400 total pubic providers participate the total fund annual cost would be estimated to be $1,000,000 at 50% FFP.

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS 19-20	20-21	2019-2020 EXPENDITURES	2020-2021 EXPENDITURES
DHHS Fiscal Project Analyst	1	1	$ 52,031	$ 54,633
Cost Report Desk Auditor	1	1	43,098	45,253
Medicaid Provider Fraud & Abuse Investigator	3	3	137,835	144,727
DHHS Program Manager I	2	2	110,947	116,494
Accountant I	1	1	34,511	36,237
Budget Analyst	1	1	48,857	51,300
Internal Auditor	1	1	58,332	61,249
DHHS Payments Reviewer	1	1	30,534	32,061
Accounting Clerk	1	1	26,191	27,501
Benefits			210,808	210,808
Operating			$23,925,524	$11,254,365
Travel				
Capital Outlay				
Aid			$2,956,624	$3,166,545
Capital Improvements				
TOTAL			$27,635,292	$15,201,173