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F I S C A L I M P A C T R E P O R T

SPONSOR: Beffort DATE TYPED: 03/11/03 HB

SHORT TITLE: Interest on Untimely Medicaid Claims SB 724/aSFC

ANALYST: Weber

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	**FY04**	**FY03**	**FY04**		
			See Fiscal Narrative	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Responses Received From
Human Services Department

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment made the following changes:

1. On page 1, strike lines 19 and 20 in their entirety and strike line 21 through the period and insert in lieu thereof the following:
"A. The medical assistance division of the department shall provide for payment of interest on a clean claim at the rate of one and one-half percent per month on:
(1) the amount of a clean claim electronically submitted by the medicaid provider and not paid within thirty days of the date of receipt; and
(2) the amount of a clean claim manually submitted by the medicaid provider and not paid within forty-five days of the date of receipt.".
2. On page 1, line 21, before "Interest" insert the subsection designation "B.".
3. On page 1, line 22, before "Interest" insert the subsection designation "C.".
4. On page 2, strike lines 3 through 7 in their entirety.
5. Reletter the succeeding subsection accordingly.

Fiscal Implications:

It should be reiterated that HSD reports all penalties of this nature must be paid with 100% general fund. Senate Bill 724 will create an additional expense to the Medicaid program.

Synopsis of Original Bill

Senate Bill 724 would require the Medicaid program to pay interest to Medicaid providers on clean claims if payment is not made within 30 calendar days of the date of submission. Interest would be paid at the federal rate established by the Secretary of the Treasury under federal law. SB 724 would be effective on July 1, 2003.

Significant Issues

The Human Services Department (HSD) reports that in the code of federal regulations §447.45, 90% of all clean claims from individual physicians, group practice or practitioners with shared facilities are to be paid within 30 days of the date of receipt, and 99% paid within 90 days. Claims from all others must be paid within 12 months of the date of receipt. Claims submitted by providers under investigation for fraud or abuse are excluded from these requirements.

It is not clear whether the state Medicaid agency would be permitted to pay interest to Medicaid providers under the federal "payment in full" policy. Pursuant to 42 C.F.R. 447.15, Medicaid providers are required to accept, as payment *in full*, the amounts paid by the agency plus any deductible, coinsurance or co-payment required by the state plan to be paid by the individual. Requiring Human Services Department (HSD) to pay interest to its Medicaid providers would result in some providers being paid amounts greater than the required "payment in full" for their services. HSD may need to obtain the Center for Medicare and Medicaid Services (CMS) approval for such an undertaking.

HSD is already exceeding federal requirements in timeliness of payments to its Medicaid providers. Under 42 C.F.R. 447.45(d) [timely processing of claims], the state agency must pay 90% of all clean claims within 30 days and 99% of its clean claims within 90 days of the date of receipt. HSD is currently exceeding the 90% requirement by paying 97% of its clean claims within 30 days. HSD would need to determine which providers (among the 3% who are not being paid within 30 days) should be paid interest on their claims.

The 30 days grace period starts with the submission date. Depending on how a claim is submitted contributes to the delay of payment of that claim. For instance, the Department of Health (DOH) batched and submitted claims from their providers to the Medicaid fiscal agent for processing once a month. The providers may have submitted some claims through DOH for 30 or more days before they arrived at the Medicaid fiscal agent.

An important issue relates to interest penalties paid by Medicaid is that there is no federal financial participation. The penalties are paid with 100% state funds.

FISCAL IMPLICATIONS

Since SB 724 contains no fixed interest rate, but is dependent on a federal rate that could vary widely, it may be difficult for HSD to adequately budget for such contingencies. Moreover, any interest paid would have to be paid out of state general fund dollars since federal matching funds would not be available.

The fiscal impact to the Medicaid program varies directly with the federal funds rate. The federal funds rate is at a low of 1.23% as of February 6, 2003. However, it has a five-year peak of 6.24% in calendar year 2000. The estimated cost for interest penalties ranges between $51,000 a year with a low federal funds rate of 1.23% and $260,000 a year for a peak year of 6.24% as in 2000.

SN/njw