

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR: Aragon DATE TYPED: 2-28-01 HB _____
 SHORT TITLE: Consult Legislature for Medicaid Changes SB 648/aSRC
 ANALYST: Taylor

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	NFI				

Relates to HB 884

SOURCES OF INFORMATION

Human Services Department (HSD)
 Health Policy Commission (HPC)
 State Agency on Aging (SAA)
 State Department of Education (SDE)

SUMMARY

Synopsis of SRC Amendment

The Senate Rules Committee amended SB648 by adding language to the provision requiring the department to included performance provisions in contracts that are consistent with the department’s performance measures pursuant to the Accountability in Government Act. The added language also requires that performance contracting provisions be consistent with “other applicable laws or rules”.

Synopsis of Bill

Senate Bill 648 would make the following changes to the way the Medicaid program is administered and how information is shared with the legislature:

- **Consultation with the legislative committees.**
 - The bill requires HSD to consult with the Legislative Health and Human Services Committee (LHHSC) and the Legislative Finance Committee (LFC) prior to submitting matters involving modifications, amendments or waivers to the Medicaid or the State Children’s Health Insurance program (SCHIP).
 - It also requires HSD to provide the LFC and LHHS with copies of all correspondence with the Health Care Financing Administration (HCFA) relating to modifications, amendments or waivers for the SCHIP or Medicaid program, upper payment limit

negotiations, and other issues that may affect the performance or financing of the Medicaid or SCHIP programs.

- It requires HSD to report medicaid information regarding the prior fiscal year to the legislature by November 1, including: utilization by type of service under fee-for-service and managed care; expenditure by type of service under fee-for-service and managed care; summary data and analysis of grievances and complaints filed with managed care contractors and utilization management decisions made by managed care contractors; and assessments comparing the performance of the state's managed care program to that of the state's commercial insurers and medicaid nationally as measured by the health plan employer data information set or an equivalent national performance set.
- **Human Services Department Medicaid Administration.** The bill requires HSD to work with other state agencies that are eligible for matching funds from the Medicaid, SCHIP program and similar programs to ensure that they obtain the most favorable federal match appropriate for these programs.
- **Medicaid Managed Care Exclusions.** The bill adds a provision allowing HSD to exempt mental and behavioral services from managed care.
- **Managed Care Rates to be Negotiated by January 1 Each Year.** The bill requires the department to establish procedures to ensure that the legislature is provided with the proposed negotiated rates for managed care for the subsequent year.
- **Managed Care Rate Increases Limited.** The bill limits any increases for managed care rates to the upper payment limit first approved by HCFA or projected medical inflation for the period of the contract.
- **Managed Care and related contracts requirements.** The bill requires contracts to comply with federal and state laws to the extent they are not prohibited by federal law, including the patient protection act, the clean claims timeliness provisions, Title 19 and Title 21 of the federal act, the federal Health Insurance Portability Act and any other laws protecting patients' interest and quality of care.
- **Medicaid Contracts Required to Include Performance Measures.** The bill requires the department to include performance measures consistent with its own performance measures; it also HSD to include incentives for obtaining contract performance standards by July 1, 2004.

FISCAL IMPLICATIONS

There is no direct fiscal impact associated with the bill. HSD writes that complying with all the provisions of the bill would require more staff, but they say the costs are undetermined.

OTHER SUBSTANTIVE ISSUES

The Human Services Department's bill analysis makes the following points:

- the provisions requiring consultation with legislative committees would hinder timely administration of the Medicaid program;
- there is often disagreement as to whether consultation implies providing information or receiving approval. They say this requirement might infringe on the responsibilities and purview of the executive branch;

Senate Bill 648/aSRC -- Page 3

- providing copies of all correspondence between HSD and HCFA would be administratively burdensome;
- it would be difficult to provide all the requested information by November 1 (some information would have to be provided for the previous calendar year rather than the previous fiscal year);
- the department is already constrained from increasing managed care rates beyond the upper payment limit (Note: the bill actually requires that increases not exceed the upper payment limits first approved by HCFA);
- Other provisions in the bill that require the department to maintain utilization and payment data by type of service are currently done;
- performance-based budgeting requirements already require increased data collection and information sharing (Note: it does not require performance-based contracts, although the Department of Finance and Administration has indicated an interest in pursuing this idea generally)

BT/njw