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FISCAL IMPACT REPORT

SPONSOR Trujillo DATE TYPED 3-5-05 HB 949

SHORT TITLE Developmental Disabilities Medicaid Waiver SB _____

ANALYST Collard

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|-----------|-----------------------------|------|----------------------|---------------|
| FY05 | FY06 | FY05 | FY06 | | |
| | \$3,540.0 | | | Recurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 423, SB 259

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Health (DOH)
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

House Bill 949 appropriates \$3.54 million from the general fund to DOH for the purpose of restoring provider reimbursement rate cuts in the developmental disabilities Medicaid waiver (DD Waiver) program.

Significant Issues

DOH notes, as written, the language in the bill suggests that DOH may be responsible for the Medicaid DD Waiver program, one of four Medicaid Home and Community Based Services (HCBS) waivers. While DOH administers the Medicaid DD Waiver program through a Joint Powers Agreement with the Human Services Department, DOH is not the responsible entity for Medicaid programs or the reimbursement rates for Medicaid services. HSD, as the single state agency, is responsible for Medicaid programs including the reimbursement rates of service providers.

HSD notes, in past years, DD Waiver providers have received rate increase when other providers such as Dentists, Pediatricians, Medically Fragile Targeted Case Management, Obstetricians/Gynecologists, and many others have not. The only rate reduction to DD Waiver providers in FY05 was a 1.5 percent across-the-board rate reduction that was made for all Medicaid providers with the intent to limit reduction in services while addressing growth in the Medicaid budget, as part of Medicaid's cost containment initiatives. An appropriation to provide a reimbursement rate increase for only DD Waiver providers has the potential to create access to care issues for other Title XIX services where reimbursement rates are not increased due to current budgetary constraints. Additionally, an increase in rate reimbursement rates for DD Waiver providers would require DOH and HSD to increase rates for other providers in order to maintain adequate access to services for other programs. The rate increases needed to maintain an adequate provider base for other programs would cause a significant increase in both DOH and HSD budgets.

FISCAL IMPLICATIONS

The appropriation of \$3.54 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY06 shall revert to the general fund.

HSD is facing cost containment measures and budget cuts for existing Medicaid programs including Medicaid waiver programs for FY06. To contain costs for FY05, HSD was required to reduce reimbursement rates across-the-board for Medicaid providers by 1.5 percent. Increasing rates for DD Waiver providers in FY06 in order to counteract the FY05 reduction is inconsistent with Medicaid's cost containment initiatives for FY06 and may cause further rate reductions to be made for this or other Medicaid programs. HSD indicates a rate increase solely for DD Waiver providers for FY05 is problematic for HSD at this time.

Further, HSD indicates if DD Waiver providers were given a 1.5 percent rate increase in FY06 to cover the 1.5 percent rate reduction made in FY05, it would cost approximately \$3.4 million. The appropriation, without the FFP is more than enough to cover a 1.5 percent rate increase. The appropriation with FFP could cover a rate increase of approximately 5.3 percent for DD Waiver providers. The \$3.54 million appropriation for a DD Waiver reimbursement rate increase would be eligible for composite blended FFP rate of 71.94 percent, or \$9.1 million. The funding contained in this bill would be a recurring cost to the state unless rates are reduced in future years.

HSD notes the bill would add administrative costs to HSD to change existing DD Waiver reimbursement rates and through waiver oversight responsibilities. It is anticipated that approximately 40 hours of staff time totaling \$3,200 to implement the rate reduction. It would further cost approximately 4 hours of computer reprogramming time at a cost of \$500 to make the changes. This is a non-recurring cost.

The \$3.54 million appropriation will be eligible for Medicaid FFP at the composite blended rate of 71.94 percent of approximately \$9.1 million, for a total of \$12.6 million, depending on the distribution of the appropriation by direct services and administrative costs.

ADMINISTRATIVE IMPLICATIONS

Due to the appropriation in the bill, HSD will have to verify and may have to make assurances

to the Centers for Medicare and Medicaid Services (CMS) that the increased reimbursement rate for providers will not increase the waiver expenditures to the point of exceeding 100 percent of the amount that would be incurred by the Medicaid program for these individuals, absent the waiver, in a hospital, a nursing facility, or an Intermediate Care Facility for the Mentally Retarded (ICF/MR) as required.

RELATIONSHIP

House Bill 949 relates to Senate Bill 423, which appropriates \$3.54 million for waiver services to persons with developmental disabilities and Senate Bill 259, which appropriates \$6.4 million for waiver services to 400 persons with developmental disabilities who currently are on the waiting list.

KBC/yr