

**HF3132 - 0 - "Audit Third-Party Liability Health Care"**

Chief Author: **Nick Zerwas**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **04/10/2018**  
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	161	146	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>161</b>	<b>146</b>	<b>-</b>
<b>Biennial Total</b>			<b>161</b>		<b>146</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	2	2	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>-</b>

**Executive Budget Officer's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Ahna Minge      Date: 4/10/2018 10:18:57 AM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	161	146	-
<b>Total</b>		-	-	<b>161</b>	<b>146</b>	-
<b>Biennial Total</b>					<b>161</b>	<b>146</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	-	161	146	-
<b>Total</b>		-	-	<b>161</b>	<b>146</b>	-
<b>Biennial Total</b>					<b>161</b>	<b>146</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>					-	-

**Bill Description**

This legislation requires the Department of Human Services to issue a request for proposals (RFP) for eligible vendors to audit existing state data to identify potential for third-party recovery under Medical Assistance (MA) and MinnesotaCare and recommend methods for collection. Eligible vendors must make use of advanced, patented technologies that incorporate an algorithm to identify additional third party liability (TPL) related to automobile and other accidents. The selected vendor must perform this work at no cost to the state.

The bill permits DHS to issue a vendor contract to implement a TPL program based on the findings of the audit. The vendor must be paid using a percentage of money recovered through the TPL program and reimburse the state for any program related administrative costs.

**Assumptions**

Federal regulations require State Medicaid programs to be the payer of last resort. This means that if another insurer or program has the responsibility to pay for medical costs incurred by an MA enrollee, that entity is required to pay its share of the cost prior to MA making any payment. Additionally, whenever a State has paid claims and subsequently discovers the existence of a liable third party it must attempt to recover the money from the liable third party. DHS uses TPL information for cost avoidance and to recover the cost of MA benefits after payment. In FY2017, DHS cost avoided or recovered about \$900,000,000 in medical costs using TPL information from a variety of sources.

This legislation requires DHS to issue an RFP to perform an audit identifying the potential for TPL. Under the language, DHS must allow eligible vendors to audit existing state data in order to identify the potential for recovery. This fiscal note assumes that an eligible vendor meeting the requirements under subdivision 1 responds to the RFP and is willing to conduct an audit at no cost to the state. The fiscal detail includes the cost of 2 new full time employees to develop and issue the RFP, manage a new vendor contract, provide access to existing TPL data held by DHS, provide vendor support for the duration of the audit, and to review findings and recommendations. These data include eligibility, claims, and TPL information within DHS IT systems and paper files related to tort liability cases. It is assumed that the FTE are needed for a period of two years.

Section 2 allows DHS to issue a new vendor contract to administer a TPL program. Vendors must be reimbursed using a portion of money recovered under the contract and reimburse DHS for any related administrative expenditures. There is no fiscal impact related to this provision. The language is permissive, and both the potential audit findings and whether a vendor is able to meet the specific requirements in this section are both unknown.

**Expenditure and/or Revenue Formula**

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2018	FY2019	FY2020	FY2021
GF	13	HCA Admin 2 FTE Salary, benefits and overhead costs		248	225	
GF	REV1	Admin FFP@ .35		(87)	(79)	
		<b>Total Net Fiscal Impact</b>		<b>161</b>	<b>146</b>	
		<b>Full Time Equivalentents</b>		<b>2</b>	<b>2</b>	

**Long-Term Fiscal Considerations**

None Identified

**Local Fiscal Impact**

none

**References/Sources**

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