

HF604 - 1E - "MA Rate Increase for Chem Dep Prov"

Chief Author: **Dave Baker**  
 Committee: **Health and Human Services Finance**  
 Date Completed: **04/09/2015**  
 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	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	7,477	10,699	11,311	11,698
<b>Total</b>	<b>-</b>	<b>7,477</b>	<b>10,699</b>	<b>11,311</b>	<b>11,698</b>
<b>Biennial Total</b>			<b>18,176</b>		<b>23,009</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	1	1	1	1
<b>Total</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</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: 4/9/2015 1:55:59 PM  
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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>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
General Fund	-	7,477	10,699	11,311	11,698	
<b>Total</b>	<b>-</b>	<b>7,477</b>	<b>10,699</b>	<b>11,311</b>	<b>11,698</b>	
	<b>Biennial Total</b>		<b>18,176</b>		<b>23,009</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	7,524	10,741	11,353	11,740	
<b>Total</b>	<b>-</b>	<b>7,524</b>	<b>10,741</b>	<b>11,353</b>	<b>11,740</b>	
	<b>Biennial Total</b>		<b>18,265</b>		<b>23,093</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	47	42	42	42	
<b>Total</b>	<b>-</b>	<b>47</b>	<b>42</b>	<b>42</b>	<b>42</b>	
	<b>Biennial Total</b>		<b>89</b>		<b>84</b>	

**Bill Description**

This bill would provide a 10% rate increase for chemical dependency (CD) treatment providers. The 10% rate increase would be applied to the rates in effect as of January 1, 2014 for services provided on or after July 1, 2015. The bill also requires the department of human services (DHS) to consult with the Minnesota State Substance Abuse Strategy and representatives of counties, tribes, health plan companies and CD treatment providers to develop performance measures to assess outcomes of CD treatment services. The department shall report the performance measures to the legislature on or before January 15, 2016.

**Assumptions**

10% rate increase for services effective 7/1/2015: This rate increase will increase the state share of Medical Assistance fee-for-service payments paid under the Consolidated Chemical Dependency Treatment Fund (CCDTF) as well as managed care payments for CD services paid under MA. The increase in managed care costs will not be realized until 1/1/2016 as contracts are renewed annually effective January each calendar year.

The Community Support Administration, Alcohol and Drug Abuse Division (ADAD), would require staff to work with the group identified above to develop initial performance measures and report back to the legislature. This staff person would then develop reporting mechanisms and evaluation tools to assess CD treatment being provided. The staff person would also be responsible to communicate with Substance Abuse and Mental Health Services Administration (SAMHSA) and other states to be aware of best and emerging practices in the utilization of outcome data. The staff person would also be responsible for system changes related to coordinating outcome measures with Medicaid Management Information System (MMIS) used for payment and the Drug and Alcohol Abuse Normative Evaluation System (DAANES) health surveillance systems.

**Expenditure and/or Revenue Formula**

Medical Assistance Cost (CCDTF) Fee for Services:

	Total Payments Placements	Room & Board Pmts to Health Plans	County Administration	Revenues & Collections*	Net State Obligations
<b>Base Forecast: February 2015</b>					

	Total Payments Placements	Room & Board Pmts to Health Plans	County Administration	Revenues & Collections*	Net State Obligations
<b>PROJECTED</b>					
FY 2015	\$148,967,342	\$13,267,804	\$2,825,040	\$82,376,363	\$82,683,824
FY 2016	146,347,084	14,400,000	2,775,349	81,083,288	82,439,145
FY 2017	151,480,434	14,400,000	2,872,699	83,058,372	85,694,761
FY 2018	156,211,161	14,400,000	2,962,413	84,684,779	88,888,795
FY 2019	160,738,646	14,400,000	3,048,273	86,645,433	91,541,486
<b>Forecast with 10% Increase</b>					
<b>PROJECTED</b>					
FY 2015	\$148,967,342	\$13,267,804	\$2,825,040	\$82,376,363	\$82,683,824
FY 2016	157,468,267	15,480,000	2,986,253	86,571,493	89,363,026
FY 2017	166,628,477	15,840,000	3,159,969	90,477,979	95,150,467
FY 2018	171,832,277	15,840,000	3,258,654	92,267,027	98,663,905
FY 2019	176,812,511	15,840,000	3,353,100	94,423,746	101,581,865
<b>Difference</b>					
FY 2016	\$11,121,183	\$1,080,000	\$210,904	\$5,488,205	\$6,923,882
FY 2017	15,148,043	1,440,000	287,270	7,419,607	9,455,706
FY 2018	15,621,116	1,440,000	296,241	7,582,248	9,775,110
FY 2019	16,073,865	1,440,000	304,827	7,778,313	10,040,379
* This item consists mainly of federal and county shares.					

Medical Assistance Costs (CCDTF) Managed Care:

February 2015 Forecast	FY 2016	FY 2017	FY 2018	FY 2019
<b>Medical Assistance</b>				
<b>Managed care: Annual capitation pymts</b>				
MA Elderly and Disabled	\$1,291,588,846	\$1,129,007,970	\$1,167,062,170	\$1,256,650,368
MA Adults without Kids	\$1,673,102,921	\$1,619,331,117	\$1,698,484,938	\$1,784,089,204
MA Families with Children	\$2,460,894,645	\$2,397,086,622	\$2,508,133,358	\$2,634,089,817
<b>Managed care: withhold payments</b>				

February 2015 Forecast	FY 2016	FY 2017	FY 2018	FY 2019
MA Elderly and Disabled		\$51,836,342	\$100,465,472	\$100,104,892
MA Adults without Kids		\$67,147,943	\$138,096,604	\$144,826,450
MA Families with Children		\$98,765,002	\$203,895,519	\$214,075,120
<b>Proportion of payments for CD Treatment</b>				
MA Elderly and Disabled	0.4%	0.4%	0.4%	0.4%
MA Adults without Kids	2.5%	2.5%	2.5%	2.5%
MA Families with Children	0.7%	0.7%	0.7%	0.7%
<b>Rate increase %</b>	10.0%	10.0%	10.0%	10.0%
<b>Rate increase timing (eff. Jan. 2016)</b>	41.7%	100.0%	100.0%	100.0%
<b>Impact of CD Rate Increase on MA Managed Care</b>				
<b>Medical Assistance</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
MA Elderly and Disabled HMO	\$215,265	\$451,603	\$466,825	\$502,660
MA Elderly and Disabled HMO perf. pmt.			\$41,626	\$40,042
<b>Total</b>	<b>\$215,265</b>	<b>\$451,603</b>	<b>\$508,451</b>	<b>\$542,702</b>
Federal share %	50.00%	50.00%	50.00%	50.00%
Federal share	\$107,632	\$225,802	\$254,225	\$271,351
<b>State Share</b>	<b>\$107,632</b>	<b>\$225,802</b>	<b>\$254,225</b>	<b>\$271,351</b>
MA Adults w. no Children HMO	\$1,742,816	\$4,048,328	\$4,246,212	\$4,460,223
MA Adults w. no Children HMO perf. pmt			\$356,899	\$362,066
<b>Total</b>	<b>\$1,742,816</b>	<b>\$4,048,328</b>	<b>\$4,603,111</b>	<b>\$4,822,289</b>
Federal share %	100.00%	97.50%	94.50%	93.50%
Federal share	\$1,742,816	\$3,947,120	\$4,349,940	\$4,508,840
<b>State Share</b>	<b>\$0</b>	<b>\$101,208</b>	<b>\$253,171</b>	<b>\$313,449</b>
MA Families with Children HMO	\$717,761	\$1,677,961	\$1,755,693	\$1,843,863
MA Families with Children HMO perf. pmt			\$147,528	\$149,853
<b>Total</b>	<b>\$717,761</b>	<b>\$1,677,961</b>	<b>\$1,903,221</b>	<b>\$1,993,715</b>
Federal share %	50.00%	50.00%	50.00%	50.00%
Federal share	\$358,880	\$838,980	\$951,611	\$996,858

February 2015 Forecast	FY 2016	FY 2017	FY 2018	FY 2019
State Share	\$358,880	\$838,980	\$951,611	\$996,858
<b>Total MA State Share</b>	\$466,513	\$1,165,990	\$1,459,007	\$1,581,658

### Long-Term Fiscal Considerations

#### **Expenditure Calculations Continued:**

Administrative Costs:

ADAD Staff (Agency Policy Specialist) Annual Salary \$79,600, Fringe estimated at 30% of annual salary for a total annual expense of \$103,480 (assumes 1.8% COLA in FY17).

Administrative Overhead Expense per FTE - \$29,700 year one, \$14,000 on-going.

Average Federal Fund Participation (FFP) 35% of general fund central office administrative costs

Fiscal Tracking Summary (\$000s)						
Fund	BACT	Description	FY2016	FY2017	FY2018	FY2019
GF	35	CD Treatment Fund	6,924	9,456	9,775	10,040
GF	33	MA Elderly & Disabled	108	226	254	271
GF	33	MA Adults without Kids	0	101	253	313
GF	33	MA Families with Children	359	839	952	997
GF	15	Community Supports Admin	133	119	119	119
GF	REV1	35% FFP	(47)	(42)	(42)	(42)
		<b>Total Net Fiscal Impact</b>	<b>7,477</b>	<b>10,699</b>	<b>11,311</b>	<b>11,621</b>
		<b>Full Time Equivalent</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>

### Local Fiscal Impact

In the fee-for-service CD Treatment Fund, counties are responsible to pay 22.95 percent of the cost of chemical dependency services not provided to Medical Assistance enrollees and 15 percent of the cost of services for those that are. County costs will increase in proportion with this rate increase.

**References/Sources**

DHS February, 2015 Forecast

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