

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.

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
Human Services Dept					
General Fund	-	358	326	326	326
Office of the Legislative Auditor					
Health Care Access	-	-	-	-	-
Total	-	358	326	326	326
Biennial Total			684		652
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Human Services Dept					
General Fund	-	551	501	501	501
Office of the Legislative Auditor					
Health Care Access					
Expenditures	-	1,740	-	1,740	-
Absorbed Costs	-	(1,740)	-	(1,740)	-
Total	-	551	501	501	501
Biennial Total			1,052		1,002
2 - Revenues, Transfers In*					
Human Services Dept					
General Fund	-	193	175	175	175
Office of the Legislative Auditor					
Health Care Access					
Total	-	193	175	175	175
Biennial Total			368		350

HF2038 - 1E - "Managed Care Administrative Costs"

Chief Author: **Matt Dean**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/14/2015**
 Agency: **Health Dept**

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

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Total	-	-	-	-	-

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: Susan Earle Date: 4/13/2015 2:12:57 PM
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State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

This bill modifies financial reporting requirements for managed care and county-based purchasing plans. The bill defines terms, clarifies and adds additional not allowable administrative expenses, requires independent third-party and ad hoc financial audits, and makes other changes.

Assumptions

This bill changes the requirements for financial reporting of administrative expenses for Health Maintenance Organizations participating in public programs. This bill will have a very small impact on the workload for the Department of Health's Managed Care Section staff. The Department of Health contracts with the Department of Commerce for review of Health Maintenance Organization financial compliance, and the Department of Commerce has confirmed that the proposed change in financial reporting requirements will have a very small impact on their work. The Department of Health anticipates that it can implement this legislation without additional resources and would not need to modify the cost of the contract with the Department of Commerce.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

None

Local Fiscal Impact

None

References/Sources

N/A

Agency Contact:

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HF2038 - 1E - "Managed Care Administrative Costs"

Chief Author: **Matt Dean**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/14/2015**
 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

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Total	-	358	326	326	326	326
Biennial Total			684			652

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	3.5	3.5	3.5	3.5
Total	-	3.5	3.5	3.5	3.5

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: 4/12/2015 9:44:41 AM
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State Cost (Savings) Calculation Details

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General Fund	-	358	326	326	326	326
Total	-	358	326	326	326	326
Biennial Total			684			652
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	551	501	501	501	501
Total	-	551	501	501	501	501
Biennial Total			1,052			1,002
2 - Revenues, Transfers In*						
General Fund	-	193	175	175	175	175
Total	-	193	175	175	175	175
Biennial Total			368			350

Bill Description

This bill specifies certain administrative expense reporting and audit requirements for Managed Care Organizations (MCOs) under contract with the Minnesota Department of Human Services (DHS) to assist in the administration of the Medical Assistance and MinnesotaCare programs. The bill also codifies in statute a current requirement that managed care plans restrict MCO administrative expenses to 6.6 percent calculated off of the of total managed care plan and county-based purchasing plan payments in aggregate across all plans excluding premium taxes and provider surcharges. This proposal further clarifies exclusions from allowable administrative expenditures included in MCO rates and requires additional detail on quarterly financial reports.

This legislation would require DHS to conduct ad-hoc audits of managed care and county based purchasing plans administrative and medical expenses. This oversight work would include review of the following:

- Allocation methods of administrative expenses for state public programs
- Appropriateness of administrative expenses
- Validation of administrative and medical expenses provided for rate-setting purposes, including unallowable expenses
- Validation of documentation and contracts to support administrative and medical expenses

The bill also requires the office of the legislative auditor (OLA) to contract with vendors to conduct independent third party audits of the information required to be provided MCOs and county purchasing plans contracting with DHS.

Assumptions

Conducting ad-hoc audits of MCO expenses will require resources for additional 2 FTE in staff within the Departments Internal Auditing unit to meet the intent of the legislation in regard to review of MCO expenditure reports and cost allocation methods. Also required are 1.5 FTE within the Departments Health Care Administration to manage MCO contract compliance with the reporting and appropriations to contract with an outside entity with expertise in managed care rate setting. This estimate bases the cost of the contract on recent similar experience.

The Department currently does not have enough information to estimate any potential fiscal impact from section 3 of this bill. Section 3 provides further definition around existing administrative expense exclusions and includes new definitions in statute. DHS implemented administrative expense exclusions beginning in 2014 which went into effect after the OLA audit. DHS has recently requested data from the MCOs pertaining to OLA audit to better understand the detail around the type and magnitude of the expenses identified in the findings of the audit.

Expenditure and/or Revenue Formula

Fiscal Tracking Summary (\$000s)						
Description	Fund	BACT	FY2016	FY2017	FY2018	FY2019
Operations Internal Audits staff	GF	11	229	200	200	200
Health Care HCA staff + Contractor	GF	13	322	301	301	301
FFP @ 35%	GF	REV1	(193)	(175)	(175)	(175)
Total Net Fiscal Impact			358	326	326	326
Full Time Equivalents:						
Operations Internal Audits	GF	11	2.0	2.0	2.0	2.0
Health Care Administration	GF	13	1.5	1.5	1.5	1.5

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Patrick Hultman 651-431-4311

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HF2038 - 1E - "Managed Care Administrative Costs"

Chief Author: **Matt Dean**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/14/2015**
 Agency: **Office of the Legislative Auditor**

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

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	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
Health Care Access	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Health Care Access	-	1	1	1	1
Total	-	1	1	1	1

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: Christopher Zempel Date: 4/14/2015 8:27:26 AM
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Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
Health Care Access		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Health Care Access						
Expenditures		-	1,740	-	1,740	-
Absorbed Costs		-	(1,740)	-	(1,740)	-
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Health Care Access						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

HF2038, Section 6, requires the Office of the Legislative Auditor (OLA) to contract with vendors to conduct independent third-party financial audits of information provided by managed care organizations and county-based purchasing plans under Minnesota Statutes 256B.69, subd. 9c, paragraph b.

Assumptions

Section 6 is the only portion of HF2038 that has financial implications to OLA. OLA will use funds already appropriated to fulfill the requirements of this section and hire qualified vendors to conduct the required audits. Specifically, *Laws of Minnesota* 2012, Chapter 247, Article 6, Section 2(b), provides that the legislative auditor will receive \$1,740,000 from the Health Care Access Fund every even-numbered year for managed care audit services under *Minnesota Statutes* 2014, 256B.69, Subdivision 9d. No additional funding is requested. The number of entities OLA is able to audit each year will depend on many factors, including costs, the number of qualified vendors OLA is able to hire, and the skills, resources, and capacity of these vendors. The Request for Proposal process will be used for this determination.

To fulfill OLAs oversight responsibilities, we estimate that one full-time equivalent professional level position is necessary to administer the responsibilities, and the funding for this position will be absorbed by the existing appropriation.

All costs of Section 6 will be absorbed by the existing appropriation.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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