

HF3139 - 0 - "Prescribed Pediatric Extended Care Centers"

Chief Author: **Matt Dean**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/09/2018**
 Lead Agency: **Human Services Dept**
 Other Agencies: **Health 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)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Health Dept						
State Government Special Rev	-	50	12	358	46	
Human Services Dept						
General Fund	-	-	293	1,016	942	
State Total						
State Government Special Rev	-	50	12	358	46	
General Fund	-	-	293	1,016	942	
Total	-	50	305	1,374	988	
Biennial Total			355		2,362	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Health Dept					
State Government Special Rev	-	-	-	1.2	-
Human Services Dept					
General Fund	-	-	1.5	2	1
Total	-	-	1.5	3.2	1

Lead 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: Travis Bunch Date: 04/09/2018
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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.

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Health Dept					
State Government Special Rev	-	50	12	358	46
Human Services Dept					
General Fund	-	-	293	1,016	942
Total	-	50	305	1,374	988
Biennial Total			355		2,362
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Health Dept					
State Government Special Rev	-	-	-	322	34
Human Services Dept					
General Fund	-	-	293	1,016	942
Total	-	-	293	1,338	976
Biennial Total			293		2,314
2 - Revenues, Transfers In*					
Health Dept					
State Government Special Rev	-	(50)	(12)	(36)	(12)
Human Services Dept					
General Fund	-	-	-	-	-
Total	-	(50)	(12)	(36)	(12)
Biennial Total			(62)		(48)

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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)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	293	1,016	942	
Total	-	-	293	1,016	942	
Biennial Total			293		1,958	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	1.5	2	1
Total	-	-	1.5	2	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: Travis Bunch Date: 4/9/2018 12:00:05 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.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	293	1,016	942
Total	-	-	-	293	1,016	942
Biennial Total				293		1,958
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	293	1,016	942
Total	-	-	-	293	1,016	942
Biennial Total				293		1,958
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total				-		-

Bill Description

Section 1, effective the day following enactment, limits the number of facilities that can be licensed as a PPEC center between January 1, 2019 and December 31, 2020 to two. This limit expires in January 1, 2021.

Section 2 adds a Prescribed Pediatric Extended Care (PPEC) center benefit to Medical Assistance. The payment rate for basic services provided at a PPEC center is set at \$500 per full day and \$250 per half-day. A full day is defined as four hours or more per day. A half-day is defined as less than four hours. The rates may be reevaluated by the commissioner two years after the effective date of the subdivision. The subdivision is effective January 1, 2019, or upon federal approval, whichever is later.

Section 3 describes the phase-in of licenses. No more than two licenses may be granted before December 31, 2020. Beginning January 1, 2021, the commissioner of health shall license additional PPEC centers if it is determined that the applicant and the center meet the licensing requirements listed. Section 3 also directs the commissioner of health, in consultation with licensed PPEC centers, to report quality measures.

Section 4 directs the commissioner of human services to submit a state plan amendment necessary to cover PPEC center basic services. The amendment must be submitted by August 15, 2018.

Assumptions

- Forecast: February 2018 forecast
- Programs affected: The Prescribed Pediatric Extended Care (PPEC) center will be a new state plan benefit.
- Payment Rate: The payment rate is set at \$500 per full day and \$250 per half-day. A full day is defined as four or more hours per day and a half-day is defined as less than four hours.
- Eligible Participants: This service is limited to MA-eligible children under the age of 21 who are medically complex or technologically dependent, due to a medical condition. "Medically Complex" is defined in statute (144H.01) as a child who, because of a medical condition, requires continuous therapeutic interventions or skilled nursing supervision which must be prescribed by a licensed physician and administered by, or under the direct supervision of, a licensed registered nurse.
- Licensed Facilities: This analysis assumes two licensed PPEC centers in FY2019 and FY2020 since the language restricts the number of PPEC licensed centers to two facilities until January 1, 2021. The analysis does not include additional PPEC centers in FY 2021.

6. Utilization of PPEC centers: Licensed PPEC centers may provide services up to 14 hours per day, six days per week with a maximum capacity of 45 children. This fiscal note estimates that 30 children per licensed PPEC center will receive services. This analysis estimates average service use by assuming that each child will go to a PPEC center two to three days per week throughout the year. Most of the children who receive services are likely to be school-aged. During the school year, children will be more likely to use half-day units, since services would be provided before or after school. During the summer and over holidays, children would be more likely to use full-day units.

7. Service Substitution: It is assumed that children who use PPEC services would otherwise use Complex Home Care Nursing services paid through Medical Assistance. Therefore, this fiscal note assumes a reduction in the use of Home Care Nursing services for children using PPEC centers. These services are accounted for in 15 minute units. For each full day unit of PPEC center services, it is estimated that a child would have used 8 hours of Home Care Nursing services.

For each half-day unit, it is assumed the child would have used an average of two hours of Home Care Nursing services. Approximately two-thirds of Complex Home Care Nursing are provided by a registered nurse (RN) and one-third is provided by a licensed practical nurse (LPN). Since payment rates for the two professionals are different, this analysis weights the offset accordingly.

In order to achieve these offsets, service authorizations for Home Care Nursing will need to be adjusted to account for the estimated time a child receives services in a PPEC.

8. Federal Approval: This analysis assumes federal approval. However, CMS requires that rates are economic and efficient. The rates set in this bill are higher than similar rates in other states. For example, the full-day rate in Florida is \$198 per day or \$31.47 per hour for less than a full day. DHS does not have information about how the rates in this bill were determined and would be prevented from evaluating the rates for two years as stated in the bill language. As a result, CMS may have concerns about whether these rates comply with their criteria.

9. Hospital Costs: This analysis does not include any offsets for hospital-related costs. DHS does not have evidence that the availability of this service will allow children to be discharged from hospital care earlier than they otherwise would. In addition, Medical Assistance hospital payments are based on the All Patients Refined Diagnosis Related Grouper (APR-DRG), which assumes an average length of stay per diagnosis. This payment amount does not change based on the actual length of stay. So, even if a person is discharged earlier, the amount of the hospital payment would not change and no savings would occur.

10. Administrative Impact: For the Community Supports Administration, 0.5 FTEs will be needed in FY2019 and 1.0 FTE will be needed in FY2020 to work on revising home care nursing rules to prevent double-billing and to ensure that the new service is being implemented correctly. In addition, this FTE will work with the Health Care Administration on implementing the new service. The Health Care Administration will need 1.0 FTE ongoing for provider enrollment, data needs, and to work with the Community Supports Administration on the implementation of the new service.

11. Systems Impact: Changes to MMIS will need to be made in order to allow authorizations and payments for this new service. The changes will be completed in an estimated four months. An additional 20% of the project cost will be needed ongoing to maintain the system changes.

12. State Share of MA: the state share of MA for these services is 50%

13. Implementation and Payment Effect: This analysis assumes that federal approval will be received by January 1, 2019, and initial enrollment in PPEC centers will be phased in over the course of six months. An additional 30 day payment delay is included because Medical Assistance pays claims retrospectively.

Expenditure and/or Revenue Formula

	FY2019	FY2020	FY2021
Licensing Estimates			
Number of PPECCs	2	2	2
Average Capacity	30	30	30
Statewide Capacity	60	60	60

PPECC Utilization	FY2019	FY2020	FY2021
Average Annual Recipients	60	60	60
Number of Full Day Units Per Recipient	67	67	67
Number of Half Day Units Per Recipient	115	115	115
PPECC Full Day Units	4,005	4,005	4,005
PPECC Full Day Rate	\$500	\$500	\$500
PPECC Half Day Units	6,882	6,882	6,882
PPECC Half Day Rate	\$250	\$250	\$250
PPECC Spending	3,723,000	3,723,000	3,723,000
Offsets - Detail	FY2019	FY2020	FY2021
Rate: Complex RN PDN	10.44	10.44	10.44
Rate: Complex LPN/LVN PDN	7.84	7.84	7.84
Full Day PPECC 5 hours (20 units) RN units offset	80,100	80,100	80,100
Full Day PPECC 3 hours (12 units) LPN units offset	48,060	48,060	48,060
Half Day PPECC 2 hours (8 units) RN units offset	55,056	55,056	55,056
Half Day PPECC 1 hours (4 units) LPN units Offset	27,528	27,528	27,528
Complex RN Offset - Spending	1,411,029	1,411,029	1,411,029
Complex LPN Offset - Spending	592,610	592,610	592,610
Total Offsets	2,003,639	2,003,639	2,003,639
Service Cost	FY2019	FY2020	FY2021
Gross Cost of PPECCs	3,723,000	3,723,000	3,723,000
Offsets	(2,003,639)	(2,003,639)	(2,003,639)
Net Service Costs	1,719,361	1,719,361	1,719,361
Payment Delay	67%	100%	100%
Implementation Delay (January 1st)	25%	100%	100%
Total Net Cost of PPECCS	286,560	1,719,361	1,719,361
50% federal share	(143,280)	(859,681)	(859,681)
Total State Share for Services	143,280	859,681	859,681
Admin	FY2019	FY2020	FY2021
Community Supports FTEs	0.5	1	0
Healthcare FTEs	1	1	1
Gross Admin Costs	173,051	230,734	115,367
Admin FFP	(60,568)	(80,757)	(40,378)
Net Admin Cost	112,483	149,977	74,989

Net State Systems Cost	37,598	7,520	7,520
Total Bill Cost	FY2019	FY2020	FY2021
Total Service Costs	286,560	1,719,361	1,719,361
Admin	173,051	230,734	115,367
Systems	37,598	7,520	7,520
Total Cost	497,209	1,957,615	1,842,248
Total FFP includes admin and program costs	(203,848)	(940,438)	(900,059)
Net State Cost	293,361	1,017,178	942,189

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2018	FY2019	FY2020	FY2021
GF	33	MA LW		143	860	860
GF	15	Community Supports Administration		58	115	0
GF	13	Health Care Administration		115	115	115
GF	Rev1	FFP at 35% for Admin Costs		(61)	(81)	(40)
GF	11	Systems -- MMIS		38	7	7
		Total Net Fiscal Impact		293	1,016	942
		Full Time Equivalents		1.5	2	1

Long-Term Fiscal Considerations

The moratorium of PPEC center licenses is lifted on December 31, 2020. There will be an increase in MA costs as additional centers are licensed and additional children are served in PPEC centers in lieu of home care nursing. For each new facility licensed, it will cost approximately another \$355,000 in state costs.

Local Fiscal Impact

NA

References/Sources

February 2018 Forecast
CSA Research

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HF3139 - 0 - "Prescribed Pediatric Extended Care Centers"

Chief Author: **Matt Dean**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/09/2018**
 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	FY2017	FY2018	FY2019	FY2020	FY2021
State Government Special Rev	-	50	12	358	46	
Total	-	50	12	358	46	
Biennial Total			62			404

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
State Government Special Rev	-	-	-	1.2	-
Total	-	-	-	1.2	-

Executive Budget Officer's Comment

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

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State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2017	FY2018	FY2019	FY2020	FY2021
State Government Special Rev	-	50	12	358	46	
Total	-	50	12	358	46	
	Biennial Total		62		404	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
State Government Special Rev	-	-	-	322	34	
Total	-	-	-	322	34	
	Biennial Total		-		356	
2 - Revenues, Transfers In*						
State Government Special Rev	-	(50)	(12)	(36)	(12)	
Total	-	(50)	(12)	(36)	(12)	
	Biennial Total		(62)		(48)	

Bill Description

This bill modifies licensure requirements for prescribed pediatric extended care (PPEC) centers:

- Section 1 Commissioner of health must issue licenses to no more than two PPEC centers.
- Section 2 Commissioner of human services must create payment creates for PPEC centers.
- Section 3 Commissioner of health must phase in licensure of PPEC centers by only licensing two PPEC centers between January 1, 2019 and December 31, 2020. The PPEC centers must meet a set of criteria. The commissioner is also required to work with the licensed PPEC centers to create and report on quality measures.
- Section 4 Commissioner of human services must seek federal approval for coverage of services.

The bill does not contain an appropriation and it does not change the licensing fee amount for PPEC centers under current law. Sections 2 and 3 would have fiscal impact on the Department of Health.

Assumptions

The bill would require the Department of Health to perform several new responsibilities beyond the scope of the current regulatory approach for PPEC centers.

Section 2:

The bill would change the number of potential PPEC licensees, capping them at two until January 1, 2021. For purposes of this fiscal note, we assume that there will only be two PPEC centers through all of FY 2021. The projected change in revenue in this fiscal note (see tables below) is relative to the assumptions in the fiscal note for HF9027-0 in the 2017 legislative session.

Section 3:

The Department of Health assumes the development of the quality measures will take place in 2020 when the first two

PPEC centers are licensed. This effort will require the department to:

- Consult with the PPEC centers and develop quality measures after centers are licensed. Quality measures do not currently exist for PPEC centers in Minnesota. This would involve analysis and development of unique quality measures for PPEC centers.
- Develop procedures for PPECs to use to report and develop making the quality measures available on the MDH website.
- Create an online system to gather measures and to report on the MDH website. The department assumes the cost of software to gather the information to develop measures for reporting.

For development of the quality measures during one year, this will involve 0.20 health facility evaluator FTE, 0.50 management analyst FTE and a 0.50 nurse evaluator FTE.

The development of the required software will cost \$137,700 (one time) in FY 2020 and 20% for maintenance in FY 2021 and then 10% each year thereafter.

Other operating costs of \$4,500 in FY 2020 are necessary for the communications, supplies, materials and computing of the 1.2 FTE staff.

Expenditure and/or Revenue Formula

FISCAL TRACKING (dollars in thousands)						
FUND	BACT	DESCRIPTION	FY 2018	FY 2019	FY 2020	FY 2021
1200	03	Health Protection	-	-	322	34
1200	REV	Licensing Revenue	(50)	(12)	(36)	(12)
1200		NET COST (SAVINGS)	50	12	358	46

EXPENDITURE (dollars in thousands)				
DESCRIPTION	FY 2018	FY 2019	FY 2020	FY 2021
Salary and Fringe	-	-	119	-
Contracts	-	-	-	-
Grants & Aid	-	-	-	-
Other Operating	-	-	142	28
Administrative Indirect	-	-	60	6
TOTAL EXPENSES	-	-	322	34

CHANGE IN REVENUE UNITS (estimated number)					
DESCRIPTION	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Initial application fee	(1)	(1)	(1)	-	-
Renewal fee	-	(13)	-	-	-
Late fees	(3)	(3)	(3)	-	-
Change in ownership	(2)	(2)	(2)	-	-

Long-Term Fiscal Considerations

Under Minnesota Statutes 16A.1285, a fee amount “must be set at a level that neither significantly over recovers nor under recovers costs, including overhead costs, involved in providing the services.” In 2017, the Department of Health assumed the revenue of 15 PPEC centers beginning in FY 2018. The fee amounts in current law were set at a level to recover the cost of performing the regulatory activity. The bill changes both regulatory responsibilities and revenue projections, resulting in a net cost to the state government special revenue fund. The department is already incurring expenses of \$64,000 in FY 2018 for startup costs related to PPEC center licensure that will not be recovered by the projected change in revenue.

IMPACT (dollars in thousands)					
DESCRIPTION	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Expenditure	-	322	34	17	17
Revenue	(12)	(36)	(12)	-	-
ANNUAL COST (SAVINGS)	12	358	46	17	17
FIVE-YEAR NET COST (SAVINGS)					450

Local Fiscal Impact

References/Sources

Agency Contact:

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