

HF4206 - 0 - "Modify Electronic Visit Verification"

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 Committee: **Health and Human Services Finance**
 Date Completed: **04/14/2018**
 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)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Dollars in Thousands					
General Fund	-	-	(480)	(5,046)	(5,023)
Total	-	-	(480)	(5,046)	(5,023)
Biennial Total			(480)		(10,069)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	11	11	9
Total	-	-	11	11	9

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies. Electronic Visiting Verification (EVV) is a new requirement of states and limited data exists to evaluate the systems impact on service payments. The savings estimated within this fiscal note poses a higher-than-normal forecast risk to the Medical Assistance program since it is not substantiated with Minnesota data or experience. It is based on experience from the state of Maryland, which saw a reduction in personal care service expenditures as a result of EVV, and increased investigative and post-payment review capacity. Maryland is the only known state to have implemented EVV and evaluated its impact on payments. The fiscal note narrative highlights similarities between Minnesota and Maryland to justify the comparison point. However, Maryland is not a perfect proxy for estimation since key differences exist with claims integration, service billing units and current market penetration. The fiscal note narrative identifies those deviations and makes adjustments accordingly. The approach taken by the department is reasonable absent better data or information, but the risk should be taken into consideration when evaluating this proposal. Additionally, current law requires the department to establish a base line measurement related to preventing fraud and identify measures to determine the effect of EVV on program integrity (Laws 2017, First Special Session, Chapter 6, Article 3, Section 49, Subdivision 3, Paragraph c). MMB suggests requiring a report of those findings to help evaluate the approach of using other state data to substantiate fiscal estimates. This will help determine the accuracy of the savings estimate.

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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	-	-	-	(480)	(5,046)	(5,023)
Total		-	-	(480)	(5,046)	(5,023)
Biennial Total				(480)		(10,069)
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	(480)	(5,046)	(5,023)
Total		-	-	(480)	(5,046)	(5,023)
Biennial Total				(480)		(10,069)
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill requires the Department of Human Services (DHS) to establish standards and make a state-selected electronic visit verification (EVV) system available to providers in order to comply with the 21st Century Cures Act, Public Law 114-255. It also allows providers to select their own system as long as the system complies with DHS standards and submits data in a format and at a frequency established by DHS.

Assumptions

Implementation and State Cost Considerations:

This proposal provides funding to contract with a vendor to develop, implement, and maintain an electronic visit verification system. Providers would be able to use this system without paying a separate fee. Providers would have the choice to subscribe to the EVV services provided by this vendor, choose a different vendor, or continue using systems they already have as long as it meets the minimum requirements.

Effective Dates:

1. The initial RFP process and development of a system that meets the minimum requirements would begin in SFY 2018 using appropriations provided by the 2017 Legislature.
2. Implementation would begin between Oct. 1 2018 and January 1, 2019.
3. Providers would be required to use an EVV system starting January 1, 2019.

Providers Required to Use EVV:

1. Beginning January 1, 2019, providers offering personal care services and other home and community-based services subject to the 21st Century Cures Act under the following programs would be required to use an EVV: state plan personal care (fee for service and managed care), Consumer Support Grants, Consumer Directed Community Supports, Community First Services and Supports, the disability waivers, Elderly Waiver, and Alternative Care.
2. Home Health Care Services, including medical supplies and equipment are subject to requirement starting January 1, 2023.

Sources of Contract Estimates: Estimated costs are primarily based on RFIs submitted to Minnesota, publicly available RFIs submitted to other states, and estimated spending by other states implementing EVV requirements.

Development and Implementation:

Developing and implementing an EVV system would include the following activities:

- Initial licensing fee and customizing a system to Minnesota specifications.

- Technical implementation and training providers

- Developing an aggregation function that would collect, aggregate, and enable reporting on data from other EVV systems used by providers throughout Minnesota.

- Developing enhancements identified to increase effectiveness over time

Under the 21st Century Cures ACT, development and implementation activities are eligible for 90% federal match.

Ongoing Use Costs:

The ongoing costs of an EVV system would include:

- An annual maintenance fee to address routine updates and other system maintenance requirements.

- Ongoing training and technical assistance to providers

- Updates and maintenance to any enhancements to the system

The ongoing subscription cost of using vendor managed EVV systems is typically based on volume. A common payment is based on the number of transactions. A transaction may be a phone call or other technology used to log-in and out when the worker begins and ends services.

- This analysis estimates EVV subscriptions cost about \$0.25 per transaction for a base subscription.

- This estimate assumes that on average each PCA recipient has one worker visit them per day. Each visit would have two transaction; one when the worker arrives and one when they leave. Most other HCBS services are not used every day, so the frequency is estimated accordingly.

Under the 21st Century Cures Act, the costs of operation and maintenance are eligible for 75% federal match.

Federal Financial Participation

1. In order to receive enhanced FFP, Minnesota must submit an Advanced Planning Document (APD) which would be submitted to the federal Centers of Medicare and Medicaid Services. CMS has indicated that new APDs submitted will be considered for federal funding starting Oct. 1, 2018 to coincide with the federal fiscal year. FFP would not be retroactive.
2. Activities eligible for enhanced FFP:
 - 90% FFP: Design, development, and installation of EVV

 - 75% FFP: Operation and maintenance of the system, routine system updates, customer service, etc.

 - 50% FFP: Administrative activities deemed necessary for the efficient administration of the EVV, education and outreach for state staff, individuals, and families.

Cost Offsets:

For services subject to EVV requirements, the automatic reporting feature is expected to reduce inappropriate payments due to record keeping inaccuracies, administrative errors, and fraud identified during post payment review by 1%. The total spending in SFY 2019 for services that will be subject to EVV is projected to be \$1.6 billion. This estimated savings is based on the experiences and estimates from other states, such as Maryland, who have implemented similar requirements.

In a December 13, 2017 webinar, CMS noted that, “Maryland, which implemented EVV in 2014, reported that it has saved approximately \$18 million since program implementation.” Maryland’s personal care services have similar features and requirements to Minnesota’s; including many of the same program integrity features, such as automated edits to ensure that claims are paid consistent with service authorizations. Since implementation of an EVV system in Maryland resulted in savings, it is reasonable to assume that Minnesota would also see a similar effect.

However, there are a couple differences that have resulted in proportionately higher savings in Maryland than would be expected in Minnesota. First, Maryland’s EVV system is integrated into the claims system. Second, Maryland allows services to be billed in daily units, while Minnesota only allows personal care services to be billed in 15 minute units. Therefore, any individual unit found not eligible for payment in Maryland may have a greater payment effect than in Minnesota.

The estimated savings in this analysis also account for Minnesota providers who may already be using EVV, since the new requirement would not be expected to improve their billing accuracy. Since the requirement would go into effect January 1, 2019, there is a six month implementation delay and a 30 day payment effect in the first year.

EVV requirements are very new, so most states are early in the implementation phases, so information about the impact of these systems on payments is somewhat limited. A 1% payment effect is considered the most likely scenario, but the table below shows the net state impact of this bill at a 0.5% and a 1.5% payment reduction.

Net State Impact of this Bill with Alternate Service Payment Impacts			
	<u>2019</u>	<u>2020</u>	<u>2021</u>
0.5% Reduction	770	(944)	(924)
1.5% Reduction	(3,747)	(12,305)	(12,300)

The analysis also accounts for the appropriation from the 2017 legislature.

Administrative Effort:

1. Community Supports Administration (Disability Services Division)
 - One FTE to provide training and outreach to individuals receiving services and their families, as required by the Cures Act.
 - Two FTE to administer the vendor contract and grant program to ensure the development meets all requirements and deliverables meet the timelines established
2. SIRS
 - One FTE for data analysis to connect EVV data from the aggregator to data warehouse claims, analyze data, report development and maintenance, and case support.
 - Three FTE for investigators reviewing EVV data in personal care and other potential HCBS services and performing post payment review
 - One Supervisor for the unit
3. HCA
 - Two FTE for the provider help desk during the implementation year to handle increased questions

from providers and referrals to vendor provided trainings

- One FTE for Operations Data Integrity to review EVV data for completeness and assist with connecting to claims for post-payment review

4. MNIT

- Business Analyst to work with DSD and vendor for software customization and reporting work
- Data warehouse, MMIS claims, and internal reporting

5. FTE costs in the first year assume a two month hiring delay.

Note that these FTEs contribute to reducing inaccurate billing and producing recoveries of inaccurate billing which contribute to the overall savings in the proposal.

Provisions that would require additional funding not included in this fiscal note:

System enhancements that include:

- 1) Integrated billing and claims submission
- 2) Interface with state systems, such as MMIS
- 3) Verifying detailed information about the type of service provided and adherence to care plan

This fiscal note also does not include resources to bring existing systems used by providers into compliance nor to offset the costs for those who may already be using an electronic visit verification system. Additional grants or contracts would be needed for these purposes.

Expenditure and/or Revenue Formula

		2018	2019	2020	2021
1	Contracted Vendor Costs				
1a.	<u>Development & Initial Implementation</u>				
	Total Cost of Development	250,000	450,000	305,000	-
	FFP %	50%	90%	90%	90%
	State Cost	125,000	45,000	30,500	-
1b.	<u>Ongoing Costs (Beginning Jan. 1, 2019)</u>				
	Total Cost of Ongoing Costs		5,039,434	10,448,425	10,853,049
	FFP %		75%	75%	75%
	Federal Share		3,779,576	7,836,319	8,139,787
	State Cost		1,259,859	2,612,106	2,713,262
1c.	<u>Total Cost of EVV Vendor Contract</u>	250,000	5,489,434	10,753,425	10,853,049
	State Cost	125,000	1,304,859	2,642,606	2,713,262
2	CSA Administration				
	Total Cost of FTE		417,683	424,931	424,931
	FFP %		35%	35%	35%
	State Cost		271,494	276,205	276,205

3	SIRS				
	Total Cost of FTE		672,409	612,593	626,608
	FFP %		35%	35%	35%
	State Cost		437,066	398,186	407,295
4	Health Care Administration				
	Total Cost of FTE		338,042	129,863	129,863
	FFP%		35%	35%	35%
	State Cost		219,727	84,411	84,411
5	MNIT				
	Total MNIT Costs	22,028	269,708	269,708	58,347
	State Share%		29%	29%	29%
	State Cost	22,028	78,215	78,215	16,921
6	Total Cost of Proposal	272,028	7,187,276	12,190,520	12,092,798
	State Share	147,028	2,311,361	3,479,623	3,498,094
7	2017 Legislative Appropriation	(310,000)	(129,000)	(322,000)	(322,000)
	Carry Forward of Existing Appropriation		(162,972)		
	State Costs Accounting for Existing Appropriation		2,019,389	3,157,623	3,176,094
8	Offsets				
	Reduced Inappropriate Payments - 1% (State Share)		(2,498,087)	(8,203,164)	(8,199,673)
9	Net State Impact		(478,698)	(5,045,541)	(5,023,578)

Fiscal Tracking Summary (\$000's)						
BACT	Description	FY2018	FY2019	FY2020	FY2021	
11	MNIT-Vendor Contract		1,013	2,321	2,391	
14	CSA Admin		418	425	425	
11	SIRS Admin		672	613	627	
13	HCA Admin		338	130	130	
	REV1		(500)	(409)	(413)	
11	MNIT		78	78	17	
	MA LW		(1,939)	(6,092)	(6,386)	
	MA ED		(532)	(2,018)	(1,708)	
	AC		(28)	(94)	(106)	
	Total Net Fiscal Impact		(480)	(5,046)	(5,023)	
	Full Time Equivalents		11	11	9	

Long-Term Fiscal Considerations

This bill will save about \$5 million in FY2021 and is expected to have an ongoing impact. Services provided by Home Health Agencies are subject to the EVV requirement starting January 1, 2023. Incorporating these providers into the vendor contract may have an additional cost that will need to be evaluated once the system has been implemented. However, it is expected that there would also be a corresponding reduction in inappropriate payments once these services are subject to the EVV requirement.

Local Fiscal Impact

None expected

References/Sources

Feb. 2018 Forecast
CSA Research and Analysis

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