



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1677

PRINTERS NO. 3809

PRIME SPONSOR: Ortitay

### COST / (SAVINGS)

FUND	FY 2017/18	FY 2018/19
General Fund	\$0	See Fiscal Impact

**SUMMARY:** House Bill 1677, Printer's Number 3809, amends the Human Services Code to: update language relating to child day care; provide for a coordinated service delivery pilot program; extend the medical assistance (MA) day-one incentive payment for non-public nursing homes; provide for nonemergency medical transportation services; establish health care outcomes programs; require informational materials and training related to the LIFE Program; extend the provider submission provisions for out-of-home placements; and extend the Statewide Quality Care Assessment. This language is effective July 1, 2018 or immediately, whichever is later, except where noted below.

### ANALYSIS:

#### Terminology Update

This legislation updates references in the Human Services Code from "child day care" or "day care" to "child care". The legislation also directs the Department of Human Services (DHS) to amend any existing regulation to reflect this language change within one year of the bill's effective date.

*Fiscal Impact* - There is no fiscal impact related to this terminology change.

#### Coordinated Service Delivery Pilot Program

HB 1677 adds a new section directing the Department of Human Services (DHS), in consultation with the Department of Education, to establish a pilot program at a school entity or entities within the city of the first class to assist in the coordinated delivery of education services and human services. Coordination shall be based upon joint planning between the departments and a school entity's comprehensive assessments of the need to provide services, coordinate service delivery, close gaps in services, and collaboration to address the provision of needed services. Any school entity participating in the pilot program is required to submit reports to DHS in the form and by the deadline prescribed by DHS.

*Fiscal Impact* - There is no anticipated fiscal impact related to this pilot program.

### **MA Day-One Incentive Payments**

This legislation moves language that was previously in the fiscal code back to the human services code. It continues the MA Day-One Incentive payments to those non-public nursing homes to take MA eligible patients. The language mirrors that which has been in effect since fiscal year 2013-14.

*Fiscal Impact* – The MA Day-One Incentive payment is \$8,000,000, the same amount as fiscal year 2017-18.

### **Nonemergency Medical Transportation Services**

HB 1677 adds a new section to require DHS to amend the Medicaid State Plan to provide nonemergency medical transportation services to eligible and enrolled MA recipients utilizing a statewide or regional full-risk brokerage model. Upon Federal approval, DHS is required to develop a proposal, solicit a broker to administer the program and enter into a contract with each broker whose proposal has been selected to administer the program. Solicitation for a statewide or regional full-risk brokerage model will be issued by DHS within 180 days after the effective date of this bill.

*Fiscal Impact* – The shift to a statewide or regional full-risk brokerage model will allow DHS to claim federal reimbursement as a service cost rather than an administrative cost. This change will result in the state share being reduced from 50% to a blended rate of 36%. If this reduction in state share was applied to the fiscal year 2018-19 budget, the Commonwealth would have saved \$15,000,000.

### **Health Care Outcomes**

This legislation adds a new article requiring DHS to establish two Medicaid outcomes-based programs:

- A hospital outcomes program designed to provide a hospital with information to reduce potentially avoidable events and further increase efficiency in Medicaid hospital services;
- A managed care organization outcomes program designed to provide a Medicaid managed care organization (MA-MCO) with information to reduce potential avoidable events and further increase efficiency in Medicaid managed care programs.

DHS is required to conduct a comprehensive analysis of the existing relevant state databases to increase efficiency in the Medicaid system. DHS is required to identify instances of potentially avoidable events in the Medicaid system and costs associated with these cases in a report to the General Assembly by December 31, 2019. The report will include recommendations on how hospitals and MA-MCOs can improve efficiency and outcomes by reducing unnecessary services. Information from this study is to be utilized in the Hospital Outcomes Program and the Managed Care Outcomes Program. This article is effective March 1, 2019.

#### **Hospital Outcomes Program:**

DHS is required to develop and maintain a reporting system to provide each hospital with regular confidential reports regarding the hospital's performance with respect to potentially avoidable readmissions and potentially avoidable complications. A hospital is permitted to share the information contained in the outcome performance reports with physicians and other health care providers providing services at the hospital.

### Managed Care Outcomes Program:

DHS is required to develop and maintain a reporting system to provide each MA-MCO with regular confidential reports regarding the MA-MCO's performance. MA-MCOs are permitted to share the information contained in the outcome performance reports with providers.

DHS is required to provide a report on the progress of the each program to the General Assembly, which will chart the reductions in the rates of potentially avoidable complications, readmissions and emergency room visits and the impact of such reductions on Medicaid costs. The first reports are due by March 1, 2020 and each March thereafter.

*Fiscal Impact* - There is no fiscal impact from establishing health care outcomes-based programs, which if successful, could result in a reduction in MA costs.

### **LIFE Program**

Adds a new section requiring DHS to include information pertaining to the LIFE program when educating or notifying an individual about long-term care services and supports via informational materials and department correspondence. The information will include:

- A description of the LIFE program;
- A statement that an eligible individual has the option to enroll in the LIFE program, or a managed care organization under the Community Health Choices Program; and
- Contact information for LIFE providers.

A report that tracks, by county, the enrollment of eligible individuals in long-term care service programs will be issued at the end of each quarter by DHS.

*Fiscal Impact* - There is no fiscal impact related to this provision.

### **Payments to Providers for Out of Home Placements**

Amends Section 704.3(a) to require providers to continue to submit documentation of their costs for services which have been provided to children receiving out-of-home placement services that was set to expire on June 30, 2018. In addition, DHS may include components of the recommendations of the rate methodology task force as part of the provider documentation to ensure Federal reimbursement.

*Fiscal Impact* - According to DHS, the extension of the provider submission process has no adverse fiscal impact and is necessary to ensure continuation of more than \$30,000,000 in Federal Title IV-E funding

### **Statewide Hospital Assessment**

HB 1677 extends the hospital assessment through June 30, 2023. The current assessment sunsets on June 30, 2018. The bill changes the assessment base from FY 2010-11 net inpatient revenue to FY 2014-15 net inpatient and net outpatient revenue and establishes separate assessment rates for inpatient and outpatient revenue. The funds generated from the assessment are used to update the hospital MA payment system for inpatient services, modify some existing hospital supplemental payments and create new supplemental payments for hospitals.

DHS is required to prepare a revenue reconciliation schedule no later than 180 days after the end of the fiscal year including information on the amounts deposited into and paid out of the Quality Care Restricted Account to support payments to hospitals and managed care organizations.

Funds in excess of \$10 million remaining in the restricted account that are not being used to obtain matching federal funds must be used to reduce the assessment rate for the subsequent fiscal year or refunded to hospitals.

***Fiscal Impact*** – The Statewide Quality Care Assessment will save the General Fund \$295 million in fiscal years 2018-19 through 2020-21, an increase of \$75 million over fiscal year 2017-18. Beginning in fiscal year 2021-22, the General Fund savings will increase by an additional \$5 million.

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*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*