

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1075

PRINTER'S NO. 2189

AMOUNT

Savings of \$147.2 Million

FUND

General Fund

DATE INTRODUCED

April 2, 2013

PRIME SPONSOR

Representative Moul

HISTORY OF BILL

Referred to HUMAN SERVICES, April 2, 2013
Reported with request to re-refer to CHILDREN AND YOUTH, April 10, 2013
Re-referred to CHILDREN AND YOUTH, April 10, 2013
Reported as amended, June 3, 2013
First consideration, June 3, 2013
Laid on the table, June 3, 2013
Removed from table, June 4, 2013
Second consideration, June 5, 2013
Re-committed to APPROPRIATIONS, June 5, 2013
Re-reported as committed, June 10, 2013
Third consideration and final passage, June 10, 2013 (198-0)
In the Senate
Referred to PUBLIC HEALTH AND WELFARE, June 13, 2013
Reported as amended, June 19, 2013
First consideration, June 19, 2013
Second consideration, June 20, 2013
Re-committed to PUBLIC HEALTH AND WELFARE, June 20, 2013
Re-reported as amended, June 28, 2013
Re-referred to APPROPRIATIONS, June 28, 2013
Re-reported as committed, June 29, 2013

DESCRIPTION AND PURPOSE OF BILL

HB 1075 amends the Public Welfare Code to require counties to conduct family finding, the Department of Public Welfare (Department) to advance Act 148 payments, counties to have prompt payment provisions in their service contract or agreements, the Department to convene a rate development taskforce. The bill provides statutory authority to the Department for the review process of provider costs. The bill extends the Statewide Quality Care Assessment, Philadelphia Hospital Assessment, Intermediate Care Facilities for the Intellectually Disabled (ICF/ID) Assessment, Nursing Facility Budget Adjustment Factor. The bill includes a technical amendment on Loophole Premiums. The bill expands the Human Services Block Grant. The bill changes the name of the Department. The bill also establishes a Nursing Facility Day One Incentive Payment and the Enhanced Medical Service Delivery System.

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

Family Finding Services:

The bill requires county agencies to conduct family finding for children who have been accepted for services, and at least annually thereafter, until the child's involvement with the county agency is terminated or the family finding is discontinued. Family finding is defined as "ongoing efforts between a county agency, or its contracted providers, and relatives and kin to: 1) search for and identify adult maternal and paternal relatives and kin and engage them in children and youth social services planning and delivery, and 2) gain commitment from relatives and kin to support a child or parent receiving children and youth social services."

The Department of Public Welfare is required to promulgate regulations providing for the requirement of county agencies within one year of the effective date.

Children and Youth Quarterly Advance:

Currently, the authority and payment schedule for the Department to make Act 148 children and youth payments is outlined in the Title 55 Chapter 3140 Sections 41-45 of the PA code. The bill would amend the payment schedule to:

- 25% of the county allocation by July 15;
- 25% of the county allocation (adjusted for any prior year excess reimbursements) by August 31, or upon approval of the county's prior year final report, whichever is later;
- 25% of the county allocation (adjusted for any first quarter underspending) by November 30, or upon approval of the county's first quarter expenditure report, whichever is later;
- 12.5% of the county allocation (adjusted for any first and second quarter underspending or overspending) by February 28, or upon approval of the county's second quarter expenditure report, whichever is later;
- 12.5% of the county allocation (adjusted for any previous quarters underspending or overspending) upon approval of the county's final cumulative expenditure report.

Children and Youth Provider Prompt Payment:

The bill would require service contract or agreements to include a timely payment provision that will require counties to make a payment to a provider within 30 days of receipt of a complete and accurate invoice.

Children and Youth Provider Documentation:

The bill provides statutory authority for the Department's review process of providers' costs to support the Department's claim for federal funds and State reimbursement. The authority is only for Fiscal Year 2013-2014.

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

Children and Youth Taskforce on Provider Reimbursements:

The bill requires the Department to convene a time-defined task force to develop recommendations for a methodology to determine reimbursement for reasonable and actual costs for purchased services.

Statewide Quality Care Assessment (Assessment):

Under the assessment, all inpatient acute care and rehabilitation hospitals are assessed a set percentage of their net inpatient revenue. The funds generated from the assessment have been used to update the hospital Medical Assistance payment system for inpatient services, modify some existing hospital supplemental payments and creating some new supplemental payments for hospitals.

The assessment sunsets on June 30, 2013. The bill provides a 3 year extension of the assessment through June 30, 2016.

The assessment is currently silent on the calculation of the assessment with regard to new hospitals. The bill contains a new section to establish that new hospitals would not be subject to the assessment in the first fiscal year of their operation, but would then be subject in subsequent fiscal years.

Currently net patient revenue data from 2007 is used to calculate assessment amounts due from hospitals. The bill bases the assessment on the 2010/2011 revenue year for all three years of the reauthorization

Loophole Premiums:

The Department currently has authority under 55 Pa. Code Chapter 140 to assess a sliding scale premium on the Loophole category of assistance starting with families 200% of FPL. The bill contains a technical amendment to add the language "and premium" to Section 454 to provide the Department the ability to set the premium schedules for disabled children by publishing a notice in the Pennsylvania Bulletin.

Human Services Block Grant:

The bill expands the Human Services Block Grant Pilot from 20 counties to 30 counties. The bill adds language clarifying it is voluntary, dealing with carryover funds to allow them to be redistributed. In addition, the bill refines language to deal with potential issue of unlawful delegation of legislative authority.

Philadelphia Hospital Assessment:

The authority for the Philadelphia hospital assessment expires on June 30, 2013. The bill reauthorizes the Philadelphia hospital assessment for an additional three years through June 30, 2016.

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

In addition, the bill provides the city of Philadelphia the ability to adjust the assessment percentage by public notice. This is similar to authority afforded the Commonwealth under other similar assessments.

Intermediate Care Facilities for the Intellectually Disabled (ICF/ID) Assessment:

Intermediate care facilities are state or privately-operated residential programs. These facilities are supported by both federal and state funds and are specifically designed to furnish health and rehabilitative services to persons with intellectual disabilities or related conditions. Each state center and private ICF/ID currently pays a 6% assessment on net operating revenue. This assessment reduces the need for state General Fund spending for institutional care and serves as an alternative revenue source to draw federal matching funds. The Department's authority for the assessment of ICF/IDs expires on June 30, 2013. The bill extends the sunset date for the ICF/ID assessment until June 30, 2016. The bill also reflects an update in terminology to intellectual disability.

Nursing Facility Budget Adjustment Factor (BAF) Reauthorization:

Every year the Department sets new Medical Assistance (MA) per diem rates for nursing facilities, using a rate-setting methodology defined in regulation that takes into consideration a variety of factors. The budget adjustment factor (BAF) was designed to limit the average payment rates for nursing facility services to the amount permitted by the funds appropriated by the General Appropriations Act for the fiscal year. The current authority for the Department to continue to apply the BAF in the nursing facility rate setting expires on June 30, 2013. The bill extends the sunset date for the BAF until June 30, 2016.

Nursing Facility Day One Incentive Payment:

The bill establishes a Day One Incentive Payment to nonpublic nursing facilities with an overall occupancy rate of at least 85% and with a medical assistance occupancy rate of at least 65%.

Enhanced Medical Service Delivery System:

The bill establishes that any agreement with the federal United State Department of Health and Human Service shall consider and recognize:

- Benefit design modifications
- Improved accountability and personal responsibility
- Plan design features that parallel the services and benefits available in private commercial insurance
- Maximized use of commercial insurance
- Implementation of an enhanced medical assistance delivery system that utilizes existing or supplemental plans for MA programs

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

- Continued operation of CHIP that does not unnecessarily require a move to MA
- Reasonable employment and job search requirements for those who are physically or mentally able
- Improved access and continuity of care with support for community-based health centers, medical homes, expanded scope of practice and a managed long-term care pilot program
- Use of competitive and value-based purchasing from medical providers and suppliers
- Continued emphasis on the reduction of waste, fraud and abuse with attention on credible allegations of fraud by providers
- Resolution on the use of existing Federal deferrals and disallowances with minimal impact to the Commonwealth
- Maintenance of the current gross receipts tax on Medicaid MCOs
- Application of the current Federal financial participation rate currently provided
- Affirmation that additional coverage is not an entitlement

Recognition and furtherance of these objectives is necessary for the Commonwealth to enter into an agreement with the Department of Human Services no later than July 1, 2014.

The Department shall submit an application for an enhanced medical assistance delivery system no later than October 1, 2013.

If the Federal government reduces the reimbursement for the expansion population, this section of the bill act is void.

Department of Public Welfare Name Change:

The bill amends the Public Welfare Code to change the name of the Department of Public Welfare to the Department of Human Services. All references to the Department of Public Welfare in statute or regulation shall be considered to be references to the Department of Human Services.

In order to minimize costs, the name change:

- will not affect current legal documents or official actions taken by the department;
- may be phased in for printed materials until supplies are exhausted with the department determining the appropriate schedule;
- signs shall not be replaced until well worn and shall be coordinated with a change in administration; and
- computer system changes shall occur during routine upgrades.

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

FISCAL IMPACT:

While family finding will have additional administrative costs related to the new and expanded requirements for counties, it is also assumed these costs will be offset by the family finding preventing and reducing out-of-home placements.

There is no fiscal impact for the Children and Youth Quarterly Advance, Children and Youth Provider Prompt Payment, Children and Youth Taskforce on Provider Reimbursements and Human Service Block Grant sections of this bill.

Children and Youth Provider Documentation has no negative impact on the General Fund; however, this section of the bill is necessary to ensure the continuation of \$263 million in Federal Title IV-E funding.

The Statewide Quality Care Assessment will save the General Fund \$150 million in Fiscal Years 2013-2014 and 2014-2015 and \$140 million in Fiscal Year 2015-2016.

The assessment of a Fair Share premium for families making incomes of over \$100,000 would save the Department approximately \$10.2 million annually. In fiscal Year 2013-2014, the premium is estimated to save \$4.2 million, based upon 5 months of savings.

The Philadelphia Hospital Assessment maintains the \$30 million annually for the Philadelphia hospitals, as well as \$8 million for the city of Philadelphia, and approximately \$40 million to the General Fund to maintain the Medical Assistance Program.

The Intermediate Care Facilities for the Intellectually Disabled (ICF/ID) Assessment extension maintains the augmentation that offset General Fund costs. In Fiscal Year 2013-2014, the assessment is project to generate \$37.859 million, \$19.842 million represents the assessment on services provided in private ICFs/ID and the balance of \$18.017 million represents the assessment on services provided in public facilities.

The extension of the BAF does not have a fiscal impact. The BAF allows the Department to limit the average payment rates for nursing facility services to the amount permitted by the funds appropriated by the General Appropriations Act for the fiscal year.

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

The bill will change the name of the Department of Public Welfare to the Department of Human Services. The bill does not provide a time frame for the transition, but rather a gradual transition. The department has indicated the total cost of state funds to be approximately \$1 million. Given the large volume of impacted materials, it is assumed costs would be significant. However, the department is currently engaged in several information technology (IT) updates as a result of changes required under the federal Affordable Care Act (ACA), therefore, it is assumed that a portion of the costs delineated by the department can be absorbed within existing budgets. Further, given the gradual implementation, it is expected that the department could continue to rely on existing budgets until the transition is complete.

Nursing Facility Day One Incentive Payment language in the bill provides for a distribution methodology and earmarks \$7.0 million in General Fund in Fiscal Year 2013-2014 for these payments.

The bill has a no later than July 1, 2014 implementation date for the Enhanced Medical Service Delivery System therefore there will not be significant fiscal impact in Fiscal Year 2013-2014. The Department is currently making IT changes to comply with the other requirements of the ACA and has budgeted for additional staff in their County Assistance Offices to handle additional Medicaid applications. The Fiscal Year 2014-2015 and future costs are not determinable at this time because the benefits and costs of the new system have yet not been determined.