

HF872 - 1A - "Chemical Dependency Tx Services Increased"

Chief Author: **Dave Baker**
 Committee: **Health and Human Services Finance**
 Date Completed: **03/02/2017**
 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) Dollars in Thousands | Biennium | | | Biennium | |
|--|----------|--------------|---------------|---------------|---------------|
| | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
| General Fund | - | 5,062 | 9,781 | 13,971 | 18,488 |
| Total | - | 5,062 | 9,781 | 13,971 | 18,488 |
| Biennial Total | | | 14,843 | | 32,459 |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|--------|--------|----------|--------|
| | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
| General Fund | - | - | - | - | - |
| 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: Ahna Minge Date: 3/2/2017 1:23:20 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 | - | 5,062 | 9,781 | 13,971 | 18,488 | |
| Total | - | 5,062 | 9,781 | 13,971 | 18,488 | |
| | Biennial Total | | 14,843 | | 32,459 | |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| General Fund | - | 5,062 | 9,781 | 13,971 | 18,488 | |
| Total | - | 5,062 | 9,781 | 13,971 | 18,488 | |
| | Biennial Total | | 14,843 | | 32,459 | |
| 2 - Revenues, Transfers In* | | | | | | |
| General Fund | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |
| | Biennial Total | | - | | - | - |

Bill Description

This bill proposes a rate increase for chemical dependency services and service enhancements for Chemical Dependency Treatment, 254B.05, Subd 5, paragraphs (b) and (c) for services as follows:

- provided on or after July 1, 2017 by five percent over the rates in effect on January 1, 2017
- provided on or after July 1, 2018 by 2 1/2 percent over the rates in effect on January 1, 2018
- provided on or after July 1, 2019 by 2 1/2 percent over the rates in effect on January 1, 2019
- provided on or after July 1, 2020 by 2 1/2 percent over the rates in effect on January 1, 2020

In addition, the bill proposes to repeal 256B.7631.

Assumptions

5% rate increase for services effective 7/1/2017, and 2.5% annual increases for services effective July 1, 2018-2020: This rate increase will increase the state share of Medical Assistance fee-for-service payments paid under the Consolidated Chemical Dependency Treatment Fund (CCDTF) as well as managed care payments for CD services paid under MA.

Under Minnesota Statutes 256B.69 sub. 5a, requirements applicable to managed care programs under 256B and 256L established after the date of the contract take effect when the contract is next issued or renewed. Accordingly this estimate assumes January 1, 2018 effective date for the rate increase in managed care and assumes the July 1, 2017 effective date of the bill for the rate increase in fee for service.

Expenditure and/or Revenue Formula

| Base Forecast: February 2017 | | | | | |
|-------------------------------------|-------------|-------------|----------------|--------------|-------------|
| | Vendor | Room & | | | |
| | Payments | Board Pmts. | Administration | | Net |
| | for | to Health | for Entitled | Revenues & | State |
| | Placements | Plans | Placements | Collections* | Obligations |
| PROJECTED | | | | | |
| FY 2017 | 150,809,445 | 26,207,339 | 2,760,775 | 64,658,056 | 115,119,502 |

| | | | | | |
|---|-------------|-------------|-----------|-------------|-------------|
| FY 2018 | 148,055,356 | 28,830,786 | 2,710,358 | 63,383,938 | 116,212,562 |
| FY 2019 | 150,443,298 | 29,636,649 | 2,754,073 | 46,315,139 | 136,518,881 |
| FY 2020 | 153,924,560 | 30,239,893 | 2,817,802 | 60,148,220 | 126,834,035 |
| FY 2021 | 157,309,764 | 30,850,266 | 2,879,773 | 61,181,510 | 129,858,293 |
| | | | | | |
| | | | | | |
| PROJECTED | | | | | |
| FY 2017 | 150,809,445 | 26,207,339 | 2,760,775 | 64,658,056 | 115,119,502 |
| FY 2018 | 153,626,234 | 29,992,772 | 2,812,341 | 65,435,423 | 120,995,923 |
| FY 2019 | 160,946,874 | 31,743,707 | 2,946,355 | 50,161,564 | 145,475,372 |
| FY 2020 | 168,813,534 | 33,199,612 | 3,090,365 | 65,567,976 | 139,535,536 |
| FY 2021 | 176,844,423 | 34,716,468 | 3,237,382 | 68,260,260 | 146,538,013 |
| | | | | | |
| Difference | | | | | |
| | | | | | |
| FY 2018 | \$5,570,878 | \$1,161,985 | \$101,983 | \$2,051,485 | \$4,783,361 |
| FY 2019 | 10,503,576 | 2,107,057 | 192,282 | 3,846,425 | 8,956,491 |
| FY 2020 | 14,888,975 | 2,959,719 | 272,563 | 5,419,756 | 12,701,501 |
| FY 2021 | 19,534,659 | 3,866,202 | 357,609 | 7,078,750 | 16,679,720 |
| | | | | | |
| | | | | | |
| * This item consists mainly of federal and county shares. | | | | | |

| February 2017 Forecast | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|---|-----------------|-----------------|-----------------|-----------------|
| Medical Assistance | | | | |
| Managed care: Monthly payments | | | | |
| MA Elderly and Disabled | \$1,481,058,731 | \$1,440,158,128 | \$1,324,804,061 | \$1,415,954,345 |
| MA Adults without Kids | \$1,397,855,467 | \$1,449,513,974 | \$1,444,743,868 | \$1,522,570,811 |
| MA Families with Children | \$2,424,466,591 | \$2,393,503,746 | \$2,433,920,585 | \$2,554,754,921 |
| | | | | |
| Managed care: withhold payments | | | | |
| MA Elderly and Disabled | | \$115,297,854 | \$123,922,256 | \$133,461,756 |
| MA Adults without Kids | | \$124,817,707 | \$132,734,752 | \$134,480,522 |
| MA Families with Children | | \$209,239,356 | \$223,295,169 | \$233,095,089 |
| | | | | |
| Proportion of payments for CD Treatment | | | | |
| MA Elderly and Disabled | 0.8% | 0.8% | 0.8% | 0.8% |
| MA Adults without Kids | 1.9% | 1.9% | 1.9% | 1.9% |
| MA Families with Children | 0.5% | 0.5% | 0.5% | 0.5% |
| | | | | |
| July 2017 rate increase eff. January 2018 | 5.0% | 5.0% | 5.0% | 5.0% |
| July 2018 rate increase eff. January 2019 | | 2.5% | 2.5% | 2.5% |

| | | | | |
|---|--------|--------|--------|---------|
| July 2019 rate increase eff. January 2020 | | | 2.5% | 2.5% |
| July 2020 rate increase eff. January 2021 | | | | 2.5% |
| | | | | |
| Effective rate increases as applied to annual managed care payments, | | | | |
| With payments for each contract year divided 5 in the earlier FY, 7 in the later FY | | | | |
| | | | | |
| July 2017 rate increase eff. January 2018 | 2.083% | 5.000% | 5.000% | 5.000% |
| July 2018 rate increase eff. January 2019 | | 1.042% | 2.500% | 2.500% |
| July 2019 rate increase eff. January 2020 | | | 1.042% | 2.500% |
| July 2020 rate increase eff. January 2021 | | | | 1.042% |
| | | | | |
| Rate increases compounded | 2.083% | 6.094% | 8.746% | 11.465% |

| Medical Assistance | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|---|------------------|--------------------|--------------------|--------------------|
| | | | | |
| MA Elderly and Disabled HMO | \$246,843 | \$702,077 | \$926,949 | \$1,298,685 |
| MA Elderly and Disabled HMO perf. pmt. | | | \$57,077 | \$72,457 |
| Total | \$246,843 | \$702,077 | \$984,026 | \$1,371,141 |
| Federal share % | 50.00% | 50.00% | 50.00% | 50.00% |
| Federal share | \$123,422 | \$351,039 | \$492,013 | \$685,571 |
| State Share | \$123,422 | \$351,039 | \$492,013 | \$685,571 |
| | | | | |
| MA Adults w. no Children HMO | \$553,318 | \$1,678,265 | \$2,400,814 | \$3,316,619 |
| MA Adults w. no Children HMO perf. pmt | | | \$133,244 | \$182,587 |
| Total | \$553,318 | \$1,678,265 | \$2,534,058 | \$3,499,206 |
| Federal share % | 94.50% | 93.50% | 91.50% | 90.00% |
| Federal share | \$522,885 | \$1,569,178 | \$2,318,663 | \$3,149,285 |
| State Share | \$30,432 | \$109,087 | \$215,395 | \$349,921 |
| | | | | |
| MA Families with Children HMO | \$252,549 | \$729,271 | \$1,064,365 | \$1,464,481 |
| MA Families with Children HMO perf. pmt | | | \$58,953 | \$80,412 |
| Total | \$252,549 | \$729,271 | \$1,123,318 | \$1,544,893 |
| Federal share % | 50.00% | 50.00% | 50.00% | 50.00% |
| Federal share | \$126,274 | \$364,635 | \$561,659 | \$772,447 |
| State Share | \$126,274 | \$364,635 | \$561,659 | \$772,447 |
| | | | | |
| Total MA State Share | \$280,128 | \$824,761 | \$1,269,067 | \$1,807,938 |

| Fiscal Tracking Summary (\$000's) | | | | | | |
|-----------------------------------|------|--------------------------------|--------------|--------------|---------------|---------------|
| Fund | BACT | Description | FY2018 | FY2019 | FY2020 | FY2021 |
| GF | 35 | Consolidated CD Treatment Fund | 4,783 | 8,956 | 12,702 | 16,680 |
| GF | 33 | MA Elderly & Disabled | 123 | 351 | 492 | 686 |
| GF | 33 | MA Adults without Kids | 30 | 109 | 215 | 350 |
| GF | 33 | MA Families with Children | 126 | 365 | 562 | 772 |
| | | | | | | |
| | | Total Net Fiscal Impact | 5,062 | 9,781 | 13,971 | 18,488 |
| | | Full Time Equivalents | | | | |

Long-Term Fiscal Considerations

None

Local Fiscal Impact

In the fee-for-service CD Treatment Fund, counties are responsible to pay 22.95 percent of the cost of chemical dependency services not provided to Medical Assistance enrollees and 15 percent of the cost of services for those that are. County costs will increase in proportion with this rate increase.

References/Sources

Jill Roberts, Community Supports Administration

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