Department of Planning and Budget
2006 Fiscal Impact Statement

1. **Bill Number** HB 229

   House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron** Jones, D.C.

3. **Committee** Health, Welfare and Institutions

4. **Title:** Inclusion of Disease State Management Services in State Plan

5. **Summary/Purpose:** This bill requires the Department of Medical Assistance Services to include in the State Plan for Medical Assistance coverage of preventive services (disease management) for chronic conditions that if not treated result in long-term treatment and costs. The bill states that "chronic conditions" includes obesity, diabetes and high blood pressure, but it does not limit coverage to these conditions.

6. **Fiscal Impact Estimates are:** Preliminary.

   6a. Expenditure Impact:

Fiscal Year	*Medicaid (45609)*	*FAMIS (44602)*	*Medicaid SCHIP* (46601)*	*Total*	*Fund*
2006-07	$5,092,154	$235,532	$195,963	**$5,523,649**	GF
2006-07	$5,092,154	$437,416	$363,931	**$5,893,501**	NGF
2007-08	$8,595,996	$423,819	$353,101	**$9,372,916**	GF
2007-08	$8,595,996	$787,092	$655,759	**$10,038,847**	NGF
2008-09	$10,747,272	$548,235	$452,994	**$11,748,501**	GF
2008-09	$10,747,272	$1,018,152	$841,275	**$12,606,699**	NGF
2009-10	$12,186,161	$639,820	$523,863	**$13,349,844**	GF
2009-10	$12,186,161	$1,188,237	$972,887	**$14,347,285**	NGF
2010-11	$12,811,328	$688,124	$558,538	**$14,057,990**	GF
2010-11	$12,811,328	$1,277,944	$1,037,284	**$15,126,556**	NGF
2011-12	$13,466,997	$740,261	$595,132	**$14,802,390**	GF
2011-12	$13,466,997	$1,374,771	$1,105,244	**$15,947,012**	NGF

***** State Children's Health Insurance Program

7. **Budget amendment necessary:** Yes, Items 301, 302 and 306.

8. **Fiscal implications:** This bill would significantly modify the disease state management programs provided to Medicaid recipients both in the fee-for-service and the capitated managed care programs.

The Department of Medical Assistance Services (DMAS) is currently implementing an expanded disease state management program for its fee-for-service population under a waiver program that focuses on individuals with diabetes, asthma, coronary artery disease (CAD) and congestive heart failure (CHF). In addition each of the managed care organizations (MCOs) which contract with DMAS to provide services through the managed care program provide disease management services for various conditions. The table below summarizes the conditions served:

Managed Care Organization Disease Management Programs (2005)

CareNet	Asthma, Diabetes, Depression, Congestive Heart Failure, High-risk Pregnancy
VA Premier	Asthma, Diabetes
Anthem	Prenatal, Congestive Heart Failure, Coronary Artery Disease, Asthma, Diabetes
Optima	Asthma, Diabetes, Prenatal, Cerebral Vascular Disease, Cardiopulmonary Disease, Schizophrenia
AMERIGROUP	Asthma, Diabetes, HIV/AIDS

The introduced budget bill (HB 30) includes funding of approximately $381,000 total funds each year of the 2006-2008 biennium for a pilot disease state management project targeting children's obesity in southwest Virginia.

The immediate impact from this legislation is that it would require DMAS and the MCOs to implement disease state management programs for obesity and for individuals with high blood pressure who are not included in the current programs based on a diagnosis of congestive heart failure (CHF) or coronary artery disease (CAD). Many individuals diagnosed with CHF or CAD also suffer from high blood pressure.

Implementing a disease state management program for obesity is problematic because it is very difficult to identify individuals eligible for an obesity program, since providers rarely list obesity as a diagnosis. Consequently, it would be very costly to implement an obesity program due to the extensive provider education and outreach that would be necessary to identify and recruit participants.

While DMAS' claims information rarely provides information on obesity, studies and information on the overall population estimates that as much as 30 percent of the population could be considered obese with as many as 39 percent of Virginia's children being obese or at risk of obesity (based on an estimate from the Virginia Department of Health).

Assuming that as much as 30 percent of the Medicaid and Family Access to Medical Insurance Security (FAMIS) population could be eligible for treatment under a disease state management program for obesity there could be as many as 213,000 individuals receiving the services.

30 Percent of the Total Average Monthly Enrollment Forecast

	FY 2007	FY 2008	FY 2009	FY 2010
Medicaid	187,946	193,032	197,397	201,245
Medicaid SCHIP	11,406	12,052	12,413	12,786
FAMIS	13,727	14,477	14,911	15,358
Total	213,079	219,561	224,721	229,389

The contract for the obesity pilot program reimburses the contractor $13.42 per member per month. If it is assumed all of the individuals who could potentially be eligible for the program would participate in the program (213,079 eligibles) this would result in approximately $34.3 million in total fund expenditures for the obesity disease state management program (a portion of this cost would be paid to the HMOs since they would be mandated under the state plan to implement a disease state management program for obesity).

As stated above, unlike other conditions often included in disease state management programs it is difficult to identify individuals who would qualify as obese using claims information. As a result, the percentage of obese individuals who would be enrolled as participants in the disease management program would be substantially below the participation rate for other diagnoses, which tends to be close to 100 percent. The table below shows the estimated expenditures for an obesity disease state management program. The expenditure estimate in section six assumes that 30 percent of the eligible population would participate. Any savings related to better health outcomes for this population would be at least three years out (would not be realized until FY 2009 at the earliest) and is speculative.

Fiscal Year	PMPM	% of Eligible Population Participating	Participants	Total Fund Cost	GF Cost
FY 2007	$13.42	30%	63,924	$10,294,273	$4,965,003
FY 2008	$13.82	50%	109,781	$18,205,998	$8,773,032
FY 2009	$14.23	60%	135,065	$23,063,768	$11,105,995
FY 2010	$14.66	60%	149,578	$26,313,876	$12,661,651
FY 2011	$15.10	65%	152,889	$27,703,270	$13,321,024
FY 2012	$15.55	65%	156,283	$29,162,604	$14,012,919

In addition, this bill would require disease state management to cover individuals with high blood pressure regardless of whether or not they have CAD or CHF. It is estimated that an additional 6,092 Medicaid/FAMIS fee-for-service recipients would receive disease management services based on a diagnosis of high blood pressure in FY 2007. The estimated PMPM for this population is based on the contract DMAS has recently signed with a contractor to provided disease state management services to a similar population.

Fiscal Year	PMPM	Participants	Total Fund Cost	GF Cost
FY 2007	$15.36	6,092	$1,122,877	$558,646
FY 2008	$16.17	6,214	$1,205,764	$599,884
FY 2009	$16.98	6,338	$1,291,431	$642,506
FY 2010	$17.83	6,465	$1,383,252	$688,192
FY 2011	$18.72	6,594	$1,481,275	$736,964
FY 2012	$19.66	6,726	$1,586,798	$789,471

9. **Specific agency or political subdivisions affected:** Department of Medical Assistance Services.

10. **Technical amendment necessary:** No.

11. **Other comments:** Due to the scope of this initiative DMAS would likely have to re-issue a request for proposals for disease state management services rather than add these initiatives to the current contract.

Date: 01/25/06 / mst
Document: G:\Ga Sessions\2006 Session\Fis\Hb229.Doc

cc: Secretary of Health and Human Resources