

Department of Planning and Budget 2017 Fiscal Impact Statement

1. Bill Number: HB 2417

House of Origin	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Enrolled

2. Patron: Landes, R. Steven

3. Committee: Passed Both Houses

4. Title: Prepayment analytics; DMAS to establish program relating to fraud prevention

5. Summary: The enrolled bill directs the Department of Medical Assistance Services to establish a program to mitigate, through the use of prepayment analytics, the risk of improper payments to providers of services that are paid through the Department's fee-for-service delivery system who commit fraud, abuse, or errors. For the provisions of the bill, as amended, to be effective, an appropriation must be provided in the budget passed by the 2017 General Assembly.

6. Budget Amendment Necessary: See Item 8. The enrolled budget includes \$742,000 general fund to cover the FY 2018 administrative cost of this bill.

7. Fiscal Impact Estimates: Indeterminate. While the estimated cost of implementing this bill is set out in Item 8 (\$742,000 general fund in FY 2018); there is no way to determine future savings and cost avoidances that will accrue to the Medicaid program. Therefore, the overall net impact to the Commonwealth cannot be determined.

8. Fiscal Implications:

Administrative Cost

Based on information provided from a qualified vendor, DMAS estimates that the cost to procure the required prepayment analytics solution would be \$5.67 million annually. This contract estimate includes the cost of pre-payment analytics, external data integration, integrated case management and pre-payment disposition, and support infrastructure. This estimate should be considered preliminary as actual costs cannot be determined until a formal request for proposal process is completed. It is assumed that DMAS could request 90 percent federal match in the first year as it is allowable to consider the initial costs as design and development. The federal match rate of such license would become 75 percent in the out years as the project moves into an operations and maintenance phase. DMAS expects that there would be a one-time cost of \$500,000 in FY 2018 (90 percent match rate) to have the Medicaid Enterprise System vendors integrated with the prepayment vendor. In addition, DMAS estimates ongoing operational costs of \$500,000 for individuals to provide analytical support and claims and audit review, costs eligible for 75 percent federal match. Assuming that DMAS would submit a request for enhanced funding and such request would be

approved by the Centers for Medicare and Medicaid Services (CMS), HB 2417 would result in an increase in cost to DMAS of \$742,000 general fund in FY 2018.

Contract/Administrative Cost Summary:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2018	\$742,000	General
2018	\$5,928,000	Nongeneral
2019	\$1,542,500	General
2019	\$4,627,500	Nongeneral
2020	\$1,542,500	General
2020	\$4,627,500	Nongeneral

Savings/Cost Avoidance

It is expected that this implementation of this bill would lead to future savings (cost avoidance) in the Medicaid program. DMAS does not have sufficient data to make an estimate as to the amount or magnitude at this time. Any issues with claim payments identified under the provisions of this bill would decrease the future costs of the Medicaid program, while the cost of this bill is in the agency's administrative budget.

9. Specific Agency or Political Subdivisions Affected:

Department of Medical Assistance Services

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 3/1/17