

## Department of Planning and Budget 2013 Fiscal Impact Statement

**1. Bill Number: SB 1186**

**House of Origin** ☒ Introduced ☐ Substitute ☐ Engrossed

**Second House** ☐ In Committee ☐ Substitute ☐ Enrolled

**2. Patron:** Vogel

**3. Committee:** Education and Health

**4. Title:** Attorney General Authority and Provider Billing Modification.

**5. Summary:** Expands the authority of the Attorney General or his authorized representatives in auditing and investigating providers of services under the State Medical Assistance Plan by giving authority to compel the production of fingerprints, photographs, and handwriting exemplars by witnesses. The bill provides that a witness who refuses to testify or produce requested evidence may be held in contempt and incarcerated until he complies. Subpoenas are excepted from certain provisions related to health records privacy and notice provisions, and information developed during a civil investigation is privileged. The bill also requires the Department of Medical Assistance Services to require that the actual charge for certain services, equipment, and materials shall not exceed the lowest price charged by or paid to the provider by any individual or entity, with certain exceptions.

**6. Budget Amendment Necessary:** Yes, Item 307 Subprogram 45609, Item 309 Subprogram 46601, Item 306 Subprogram 44602

**7. Fiscal Impact Estimates:**

**7a. Expenditure Impact:**

*Item 307 Subprogram 45609*

Fiscal Year	Medical Dollars	Positions	Fund
2013	-	-	GF
2013	-	-	NGF
2014	\$ (5,120,393)	0.0	GF
2014	\$ (5,120,393)	0.0	NGF
2015	\$ (5,186,594)	0.0	GF
2015	\$ (5,186,594)	0.0	NGF
2016	\$ (5,246,381)	0.0	GF
2016	\$ (5,246,381)	0.0	NGF
2017	\$ (5,306,864)	0.0	GF
2017	\$ (5,306,864)	0.0	NGF
2018	\$ (5,368,049)	0.0	GF
2018	\$ (5,368,049)	0.0	NGF

2019	\$ (5,429,946)	0.0	GF
2019	\$ (5,429,946)	0.0	NGF
2020	\$ (5,492,562)	0.0	GF
2020	\$ (5,492,562)	0.0	NGF

*Item 309 Subprogram 46601*

Fiscal Year	Medical Dollars	Positions	Fund
2013	-	-	GF
2013	-	-	NGF
2014	\$ (25,035)	0.0	GF
2014	\$ (46,493)	0.0	NGF
2015	\$ (25,343)	0.0	GF
2015	\$ (47,065)	0.0	NGF
2016	\$ (12,999)	0.0	GF
2016	\$ (60,234)	0.0	NGF
2017	\$ (8,888)	0.0	GF
2017	\$ (65,179)	0.0	NGF
2018	\$ (8,989)	0.0	GF
2018	\$ (65,922)	0.0	NGF
2019	\$ (9,092)	0.0	GF
2019	\$ (66,674)	0.0	NGF
2020	\$ (22,414)	0.0	GF
2020	\$ (54,215)	0.0	NGF

*Item 306 Subprogram 44602*

Fiscal Year	Medical Dollars	Positions	Fund
2013	-	-	GF
2013	-	-	NGF
2014	\$ (37,761)	0.0	GF
2014	\$ (70,128)	0.0	NGF
2015	\$ (38,214)	0.0	GF
2015	\$ (70,968)	0.0	NGF
2016	\$ (19,601)	0.0	GF
2016	\$ (90,825)	0.0	NGF
2017	\$ (13,402)	0.0	GF
2017	\$ (98,282)	0.0	NGF
2018	\$ (13,555)	0.0	GF
2018	\$ (99,403)	0.0	NGF
2019	\$ (13,709)	0.0	GF
2019	\$ (100,536)	0.0	NGF
2020	\$ (33,798)	0.0	GF
2020	\$ (81,750)	0.0	NGF

- 8. Fiscal Implications:** The Office of the Attorney General indicates that the provisions of this bill can be absorbed within the agency's current operations and thus no fiscal impact is anticipated as a result of the provisions that expand the Attorney General's authority.

The bill would require fee-for-service providers of medical services, equipment, and materials to submit the lowest price paid to other payers as its charge. The Department of Medical Assistance Services (DMAS) assumes "fee-for-service providers of medical services, equipment and materials" to mean providers paid by Healthcare Common Procedure Coding System (HCPCS) codes on a fee schedule, excluding hospitals or nursing homes. Also the legislation allows but does not require DMAS to exempt physicians, nurses, physician assistants, dentists, dental assistant, and optometrists from the requirements. This Fiscal Impact Statement assumes those groups are exempted.

Medicaid generally pays less than other payers. Of the provider types assumed to be not exempt, most, such as podiatry, community mental health, psychiatric services performed by psychologists, Licensed clinical social worker, local health services, clinic services, and home health services would have to change their billing practices but from whom DMAS assumes would come little savings. Three provider types, Durable Medical Equipment suppliers (DME), laboratory services and rehabilitation services are thought to likely have lower rates with other payers. DMAS does not have private insurance payment information nor specific information of what individual providers are paid. DMAS does have information of managed care plan payments and Medicaid fee-for-service payments. Using those data sources as a proxy for potential savings, DMAS estimates a 6.8% savings in rehabilitation fee-for-service expenditures, a 12.0% reduction in DME fee-for-service expenditures and a 16.5% reduction in lab fee-for-services expenditures. This would affect payments in the Medicaid program, the Medicaid/CHIP hybrid program and the FAMIS program. Savings from the Involuntary Commitment Fund would be expected to be minimal. Savings could potentially be greater if more provider classes end up being affected than assumed here, but also could be less, as providers adjust their billing practices and rate negotiations after the bill is in effect.

The bill may have other fiscal impacts that at this time DMAS is unable to estimate or assumes to be minimal. The expanded authority for the Attorney General may result in more successful fraud and abuse investigations. DMAS may need to expand its auditing of provider billing and may have some one-time costs associated with updating the provider manuals. There may be increases in the number of appeals.

Savings are estimated in the Medicaid program to be \$10.2 million (\$5.1 million GF) in SFY 2014 and \$10.4 million (\$5.2 million GF) in SFY 2015. Savings in all three programs total \$10.4 million (\$5.2 million GF) in SFY 2014 and \$10.6 million (\$5.3 million GF) in SFY 2015. Of the Medicaid program savings in SFY 2014, \$7.6 million is from DME providers, \$2.5 million from lab claims and 0.2 million from rehabilitation providers.

**9. Specific Agency or Political Subdivisions Affected:** The Department of Medical Assistance Services and the Office of the Attorney General and Department of Law.

**10. Technical Amendment Necessary:** Not applicable.

**11. Other Comments:** None.

**Date:** 1/21/2013