

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill would require the Department of Health and Human Services to report annually to the Legislature the number of contract violations and any sanctions imposed as a result of the violations on managed care organizations (MCO). If no sanctions were imposed the report would include the reason for not sanctions and actions taken to remedy the situation. The bill also requires current and future contracts and renewal of contracts to require a 95% clean claim rate and to impose appropriate sanctions for violations.

The MCO contracts require a clean claim rate of 90% which is the same requirement for all Nebraska insurance companies. The Department of Health and Human Services report show timeliness of all claims (both clean claims and those needing additional information). In the six months since July 2017, there were three out of 18 reports where one of the three MCOs fell below processing all claims in a timely manner. Those rates were 94.5%, 94.4% and 93.8%. The report is not broken down by clean and unclean claims, however.

The Department estimates that adjustments to the MCO contracts would cost \$9,107,614 (\$4,324,307 GF and \$4,783,307 FF) in FY 2019 and \$12,143,486 (\$6,377,743 GF and \$5,765,743 FF) in FY 2020. The stricter standard of 95% versus the current requirement of 90% would require additional resources paid to the MCOs to ensure that the 95% clean claim rate is meet 100% of the time. However, all three MCOs appear to be close to meeting this standard. Another reason for the costs in the department’s fiscal note is that the definition of clean claim allows paper claims to be included. The MCOs require all claims to be electronic, so moving to a system that allows for paper claims to be included in clean claims would require major adjustments to their systems and processes. Additional information on the modifications the MCOs would need to make is needed to determine the projected costs. Those costs would be paid by the department to the MCOs.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 867	AM:	AGENCY/POLT. SUB: Department of Health and Human Services (DHHS)
REVIEWED BY: Elton Larson	DATE: 2/13/2018	PHONE: 402) 471-4173
COMMENTS: DHHS analysis and estimate of fiscal impact to the department appear reasonable.		

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Mike Michalski

Date Prepared: 1-8-18

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	FY 2018-2019		FY 2019-2020	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$4,324,307	\$0	\$6,377,743	\$0
CASH FUNDS				
FEDERAL FUNDS	\$4,783,307		\$5,765,743	
OTHER FUNDS				
TOTAL FUNDS	\$9,107,614	\$0	\$12,143,486	\$0

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 867 would require the Department of Health and Human Services (DHHS) to review rules and modify regulations pertaining to contracts with Managed Care Organizations (MCO's) providing services to the agency. LB 867 requires DHHS to negotiate an amendment to existing MCO's contracts to require at least a "95% clean-claim rate" (as defined in the bill) and requires sanctions for violations. This requirement must be included in any future contracts or renewals of contracts for managed care organizations. LB 867 also requires an annual report be submitted to the HHS committee of the legislature.

To move the MCO network to meet the outlined performance of 95% clean-claim rate, current providers would have to modify current claim processing configurations, and expand clean-claim processing to include customized, non-electronic submissions into the workflow. Today, administrative costs are approximately 10% of the contract volume according to contracted MCO's. In SFY 2017, \$1.2 billion of annual claims were processed by Heritage Health, with 10% (\$120 Million) being administrative costs. To accommodate the increased manual work flow to process non-electronic claims and improve clean-claims rate to 95%, systems changes and additional staff for the MCO's would increase their administrative costs by 10%. The new clean-claims process would cost an additional \$1 Million monthly (\$474,500 GF, \$525,500 FF based on FMAP). It is assumed the new benchmarks to take effect October, 1, 2018. The first year, SFY 19, costs increases are estimated at \$9 Million (\$4.3 Million GF and \$4.7 Million FF). In the following fiscal year, costs are estimated at \$12 Million for SFY 20 (\$5.7 Million GF and \$6.37 Million FF). It is assumed that the additional administrative load would be included as a part of the capitation payments made to the MCO's. The amount located in the aid column below reflects the admin costs to accommodate the clean claim changes. These are not service cost increases, but administration paid through the capitation rates to the MCO's.

It is estimated in order to fulfill the staffing requirements of LB 867, the Department of Health and Human Services would require at least two FTEs, including the following: 1/2 FTE DHHS Program Coordinator and 1/2 FTE DHHS Program Specialist and 1 FTE DHHS Fraud Investigator. The two half-time employees would be responsible for performing reporting requirements, reviewing data, and additional monitoring of the information to conform data to the bill's reporting requirements. As more paper claims are processed, an additional Fraud Investigator would be needed to assist in program monitoring. Additional staffing expenses are at \$143,486 (\$71,743 GF, \$71,743 FF) annually. Expenditures for SFY 19 assume an October 1, 2018 start date for staffing and the program benchmarks.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2018-2019	2019-2020
	18-19	19-20	EXPENDITURES	EXPENDITURES
DHHS Program Coordinator	.50	.50	\$17,982	\$23,976
DHHS Quality Control Specialist	.50	.50	\$13,464	\$17,952
DHHS Fraud Investigator	1.00	1.00	\$29,819	\$39,760
Benefits.....			\$21,002	\$28,003
Operating.....			\$25,347	\$33,795
Travel.....				
Capital Outlay.....				
Aid.....			\$9,000,000	\$12,000,000
Capital Improvements.....				
TOTAL.....			\$9,107,614	\$12,143,486