

FISCAL NOTE

This bill contains an appropriation of \$5 from the GENERAL FUND to the Department of Health.

DETAIL OF APPROPRIATION

Agency #: 048 Agency Name: Department of Health
 Unit: 0401 - HCF Admin, 0460 - Adult Services, 0470-Optional Services - Adult

Description of Appropriation: As the Administrative and non-administrative impact sections of this fiscal note indicate, expenditures will be significantly higher than the \$5.00, therefore the Department of Health (DOH) is assuming the appropriation is a placeholder.

	FY 2016	FY 2017	FY 2018
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue increase			
FEDERAL FUNDS	\$65,490,000	\$134,100,000	\$136,300,000
OTHER - Client Contributions	\$1,548,558	\$3,097,116	\$3,097,116
Anticipated Expenditure increase			
GENERAL FUND - PHWA rollover	0	\$15,000,000	\$19,400,000
FEDERAL FUNDS - Medical Benefits	0	\$131,400,000	\$133,500,000
GENERAL FUND - Medical Benefits	0	\$4,600,000	\$9,000,000

Source of revenue increase: Federal medical assistance percentage (FMAP) and client contributions to Personal Health and Wellness Accounts (PHWAs)/cost-sharing.

Source of expenditure increase: Provision of medical benefits to 17,600 individuals through services contracted through private insurance companies or third-party administrators and paying out PHWA account balances to beneficiaries in good standing who leave the Medicaid program.

Assumptions:

- FMAP will be 100% for 2016; decreasing each year after that to 90% in 2020.
- 17,600 adults are estimated to be covered by the optional expansion of Medicaid. (projection by Milliman Actuarial, Inc.)
- 75% of eligible individuals will participate in the PHWA expanded benefits plan.
- Participating clients will contribute an average of 2.1% of annual income, or an estimated \$234.63 per year to their PHWA.
- Provision of medical benefits through contract with private insurance or third party administrator will be 32% more expensive than delivery of the same benefits through traditional Medicaid. This estimate is derived from (1) study of 2015 individual exchange rates and (2) current KidCare CHIP costs compared with similar Medicaid children. Higher private sector delivery is due to (1) greater administrative costs in private insurance (Medical Loss Ratios averaging 80-90%) and (2) higher reimbursement rates paid to medical providers.

- PHWA use may reduce utilization among participants by 15% (high end of academic literature review).
- 35% of beneficiaries are expected to leave Medicaid annually; 75% of which will participate in the PHWA, with an average State contribution of \$2,265.00 to the account.
- "Rollover" as defined in the legislation allows PHWA balances to be transitioned to personal accounts.

NOTICE-AGENCY ESTIMATE OF ADMINISTRATIVE IMPACT REQUESTED

This bill has administrative impact that appears to increase duties or responsibilities of one or more state agencies and may impact agency spending or staffing requirements. As introduced, the bill does not modify any state agency budget or current personnel authorizations.

The following state agencies will be asked to provide their estimate of the administrative fiscal impact prior to the first committee meeting held to consider the bill:

Department of Health

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