

## Department of Planning and Budget 2003 Fiscal Impact Statement

**1. Bill Number** HB2287

**House of Origin**     Introduced     Substitute     Engrossed

**Second House**     In Committee     Substitute     Enrolled

**2. Patron**    Devolites

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

**4. Title**    Children's health insurance.

**5. Summary/Purpose:**

This bill establishes a program that incorporates the Family Access to Medical Insurance Security (FAMIS) Plan and the medically indigent children portion of the Medicaid program to provide a coordinated program for children. The children-oriented portion of the Medicaid program will be named the FA MIS Plus program. The program will permit coordinated outreach and enrollment for both programs. The bill also requires a single application to determine eligibility for both programs. In addition, this bill modifies the current FAMIS Plan by:

- Including coverage from conception to birth,
- Shortening the waiting period for children with previous insurance from six to four months,
- Requiring a \$25 annual enrollment fee per family and nominal co-payments, and
- Modifying coverage for mental health services so that they are identical to coverage under the Medicaid program.

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

6a. Expenditure Impact: (see Section 8)

***Item 322, Subprogram 47901***

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	\$0	0.0	GF
2002-03	\$0	0.0	NGF
2003-04	\$43,750	0.0	GF
2003-04	\$43,750	0.0	NGF
2004-05	\$0	0.0	GF
2004-05	\$0	0.0	NGF

***Item 324, Subprogram 44602***

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	\$0	0.0	GF
2002-03	\$0	0.0	NGF
2003-04	\$1,264,929	0.0	GF
2003-04	\$2,362,387	0.0	NGF
2004-05	\$1,948,199	0.0	GF

2004-05	\$3,616,702	0.0	NGF
---------	-------------	-----	-----

**Item 324, Subprogram 44603**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	\$0	0.0	GF
2002-03	\$0	0.0	NGF
2003-04	\$305,446	0.0	GF
2003-04	\$360,183	0.0	NGF
2004-05	\$266,100	0.0	GF
2004-05	\$399,529	0.0	NGF

**Total Department of Medical Assistance Services**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	\$0	0.0	GF
2002-03	\$0	0.0	NGF
2003-04	\$1,614,125	0.0	GF
2003-04	\$2,766,320	0.0	NGF
2004-05	\$2,214,299	0.0	GF
2004-05	\$4,016,231	0.0	NGF

**Item 290, Subprogram 72503 (Department of the Treasury)**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	\$0	0.0	GF
2002-03	\$0	0.0	NGF
2003-04	\$18,851	0.0	GF
2003-04	\$35,149	0.0	NGF
2004-05	\$18,900	0.0	GF
2004-05	\$35,100	0.0	NGF

**Item 356, Subprogram 46003 (Department of Social Services)**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	\$0	0.0	GF
2002-03	\$0	0.0	NGF
2003-04	\$34,910	0.0	GF
2003-04	\$65,090	0.0	NGF
2004-05	\$0	0.0	GF
2004-05	\$0	0.0	NGF

6b. Revenue Impact: (see Section 8)

**7. Budget amendment necessary:** Yes, Item 290, Subprogram 72503; Item 322, Subprogram 47901; Item 324, Subprograms 44602 and 44603; and Item 356, Subprogram 46003.

**8. Fiscal implications:**

The fiscal implications of the various aspects of this bill are shown below.

	FY2004		FY2005	
	Total	GF	Total	GF
<b>FAMISPlusProgram</b>	\$87,500	\$43,750	\$0	\$0
<b>ConceptiontoBirth</b>	\$3,784,000	\$1,320,994	\$5,688,900	\$1,991,115
<b>ShortenWaitingPeriod</b>	\$37,756	\$13,214	\$42,126	\$14,744
<b>AdminCostsFrom\$25Fee</b>	\$819,629	\$359,207	\$719,629	\$285,000
<b>RevenueFrom\$25Fee</b>	(\$512,500)	(\$178,914)	(\$538,125)	(\$187,860)
<b>MentalHealthServices</b>	\$318,060	\$109,635	\$372,000	\$130,200
<b>Total</b>	\$4,534,445	\$1,667,886	\$6,284,530	\$2,233,199

***FAMISPlusProgram***

According to the Department of Medical Assistance Services (DMAS), the cost incurred by this initiative will be a one-time administrative cost related to the redesigning and printing of procedures, pamphlets, and forms to incorporate the name change. DMAS estimates that this effort would cost \$87,500 (\$43,750 GF) in FY2004. The agency assumes 50 percent federal funding for administrative costs under the Medicaid programs since the majority of the FAMIS Plus population would receive federal funding under the Medicaid entitlement program.

Furthermore, DMAS believes that the health maintenance organizations (HMOs) that participate in the Medallion II program may also incur a substantial administrative cost if they are required to produce separate FAMIS Plus eligibility cards and benefit brochures. However, due to the financial constraints currently being experienced by both the Commonwealth and the HMOs, DMAS would work with the HMOs to minimize the fiscal impact of the name change.

***Coverage from Conception to Birth***

Coverage for FAMIS children could begin when a woman is determined to be pregnant and that the child would meet the eligibility criteria for the FAMIS Plan. This would result in DMAS providing pre-natal care and the cost of the infant delivery. An analysis by DMAS of the FAMIS eligibility files shows that for children under age one there are approximately 105 children enrolled for each calendar month (i.e. there are approximately 105 children enrolled in the program with a birth date in June 2002 and an additional 105 children enrolled with a birth date in July 2002).

Based on this analysis, DMAS assumes that it would cover approximately 1,260 births per year under the FAMIS Plan. However, for FY2004 it is unlikely that the number of covered births would be as high during the early months of the program's implementation. Therefore, the agency assumes that 70 percent of the total estimate or approximately 880 births would be covered in the first year.

The agency estimates that the enhanced coverage would cost an additional \$4,300 per birth. The \$4,300 estimate is conservative since the additional cost would include any prenatal care costs, the cost of delivery for each birth, as well as several additional months of eligibility for the child. According to DMAS, experiences show that infants are not being enrolled in the FAMIS program on average until two to four months after their birth. This bill would cover the child throughout the birthing process. The reimbursement rate DMAS currently pays

hospitals for deliveries in the Medicaid and FAMIS fee-for-service programs ranges anywhere from \$1,670 to \$5,329. Multiplying the estimated enhanced coverage cost by the number of covered births, results in estimated expenditures of approximately \$3.8 million (\$1.3 million GF) in FY2004. For FY2005, DMAS increases the estimated cost per birth by five percent for medical inflation resulting in estimated expenditures of \$5.7 million (\$2.0 million GF).

The agency believes that this initiative may require some modification to its Medicaid Management Information System (MMIS). Currently, DMAS is scheduled to implement its new MMIS by the beginning of FY2004. Due to the complexities in implementing a new system and the need to have the system certified and approved by the federal government, systems modifications will be extremely limited during the first half of FY2004. Although not certain, the agency feels that this may be an impediment to implementing this part of the bill in a timely manner.

***Shorten the Waiting Period from Six to Four Months***

Currently, a child is ineligible for FAMIS coverage if he has been covered under a health plan in the last six months, unless there was due cause for dropping the coverage. This bill would reduce the length of time a child must be uninsured in order to qualify for the FAMIS Plan from six months to four. Data from DMAS' central processing unit shows that approximately 45 children each month are determined to be ineligible either because they had previous private insurance or because they had access to the state employees' health insurance program.

In determining the impact of this initiative, DMAS assumes that 80 percent, or 36, of the children denied are done so because of previous private health insurance. Assuming that these children would enter the FAMIS Plan sooner than what is currently permitted, DMAS estimates the resulting expenditures to be \$37,756 (\$13,214 GF) in FY 2004 and \$42,126 (\$14,744 GF) in FY2005.

***Mandate a \$25 Annual Enrollment Fee Per Family (Administrative Costs)***

DMAS estimates that the administrative costs associated with collecting the premiums would be \$819,629 in FY2004 and \$719,629 in FY2005. The details of the administrative costs are shown in the table below:

	<b>FY2004</b>	<b>FY2005</b>
<b>Personnel Costs</b>	\$144,462	\$144,462
<b>Central Processing Unit Costs</b>	\$511,138	\$511,138
<b>Returned Checks Fee</b>	\$10,029	\$10,029
<b>System Changes to ADAPT (Department of Social Services)</b>	\$100,000	\$0
<b>Lockbox Cost (Treasury)</b>	\$54,000	\$54,000
<b>Total</b>	<b>\$819,629</b>	<b>\$719,629</b>

Due to the 10 percent cap on FAMIS administrative expenditures, a portion of these administrative costs would have to be supported with 100 percent state funds. DMAS estimates that for FY2004 and FY2005 the general fund share would be \$359,207 and \$285,000 respectively.

***Mandate a \$25 Annual Enrollment Fee Per Family (Revenue)***

As of January 12003, there were 32,551 children enrolled in the FAMIS program. Based on current enrollment projections DMAS estimates that enrollment for FY2004 would be between 41,000 and 45,000 children, or 20,500 to 22,500 families. Since for many an annual enrollment fee would be an impediment to enrollment, DMAS believes that 20,500 families would be a reasonable estimate to use. Multiplying the number of families by the enrollment fee results in estimated collections of \$512,500 (\$178,914 GF) for FY2004. DMAS increases this estimate by five percent in FY2005 for estimated collections of \$538,125 (\$187,860 GF).

It is worth noting that the GF revenue estimate represents approximately 35 percent of the estimated revenues since any enrollment fees collected would be split between the federal and state governments using the same federal financial participation funding split that is used for FAMIS medical expenditures. DMAS assumes that these collections would be used to offset FAMIS expenditures. Therefore, these estimated revenues are being netted against the estimated FAMIS expenditures shown in section 6.

***Modify Coverage of Mental Health Services Under FAMIS***

This bill also mandates that FAMIS mental health services are to incorporate the same coverage and limitations as provided under the Medicaid program. The Introduced Budget includes language requiring that mental health State Plan Options services be included in the FAMIS program as they are in the Medicaid program. DMAS believes that the language included in this bill would have an additional fiscal impact by modifying the current FAMIS mental health benefits package to mirror the Medicaid package.

A preliminary estimate by the agency shows that the requirements of this bill would increase the Per Member Per Month (PMPM) cost for the FAMIS program between 50 and 75 cents per month. In determining the cost, DMAS assumes an increase in the PMPM of 62 cents per month and 513,000 enrollment months in FY2004 (42,750 average monthly enrollees), resulting in additional expenditures \$318,060 (\$109,635 GF). Based on projected enrollment growth through FY2005, DMAS increases the FY2005 estimate to \$372,000 (\$130,200 GF).

**9. Specific agency or political subdivisions affected:** DMAS, DSS, and Treasury

**10. Technical amendment necessary:** No

**11. Other comments:** This bill is the companion to SB1218 as it was originally introduced.

**Date:** 01/23/03/sas

**Document:** g:\sas\03ga session\2003bills \dpbfiss \hb2287.doc  
cc:Secretary of Health and Human Resources