

**STATE
FISCAL IMPACT**

Drafting Number: LLS 14-0278	Date: February 17, 2014
Prime Sponsor(s): Rep. Young Sen. Tochtrop	Bill Status: House Public Health Care and Human Services
	Fiscal Analyst: Bill Zepernick (303-866-4777)

SHORT TITLE: ENSURING ACCESS TO COMPLEX REHABILITATION MEDICAID

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-2017
State Revenue			
State Expenditures	\$142,890	\$2,808,226	\$5,030,293
General Fund	39,321	1,260,063	2,308,559
Federal Funds	103,569	1,548,163	2,721,734
FTE Position Change			
Appropriation Required: \$142,890 - Department of Health Care Policy and Financing (FY 2014-15)			

* This summary shows changes from current law under the bill for each fiscal year.

This fiscal note is preliminary; additional information is being sought to clarify costs for CRT examinations under the bill in FY 2015-16 and beyond.

Summary of Legislation

The bill requires the Department of Health Care Policy and Financing (HCPF) to recognize complex rehabilitation technology (CRT) as a unique category of services under Medicaid. CRT is defined in the bill as durable medical equipment that is individually configured for complex needs patients to meet their specific medical, physical and functional needs and capacities for daily living. Among other things, HCPF must:

- establish billing codes for CRT;
- set pricing policies for CRT;
- adopt supplier standards and restrict the provision of CRT to only suppliers meeting the standards;
- require complex needs patients receiving CRT to be evaluated by both a qualified health care professional and a qualified CRT professional

Background

Medicaid currently provides coverage for durable medical equipment (DME), which are long-lasting devices used in the home for medical purposes. Durable medical equipment includes equipment such as wheelchairs, prosthetic devices, hearing aids, crutches, among many other types of devices. DME must be prescribed by a health care professional. Medicaid typically covers the costs of associated doctor's visits and the equipment itself when DME is prescribed. In FY 2014-15, HCPF is projected to spend \$123.0 million on DME. CRT, as defined in this bill, will be a subcategory of DME with additional rules and requirements.

State Expenditures

The bill increases costs in HCPF by \$142,890 in FY 2014-15, \$2.8 million in FY 2015-16, and \$5.0 million in FY 2016-17. These costs, paid with General Fund and federal funds, are summarized in Table 1 and the discussion below.

Table 1. Expenditures Under HB 14-1211			
Cost Components	FY 2014-15	FY 2015-16	FY 2016-17
Information Technology - MMIS	\$127,890	\$127,890	\$0
Actuarial Services	15,000	15,000	15,000
CRT Examination Reimbursement	0	2,217,838	4,064,367
Prior Authorization Reviews	0	354,341	649,359
Program of All-inclusive Care for the Elderly	0	93,157	301,567
TOTAL	\$142,890	\$2,808,226	\$5,030,293
General Fund	39,321	1,260,063	2,308,559
Federal Funds	103,569	1,548,163	2,721,734

Assumptions. The fiscal note assumes the following in calculating costs under the bill:

- computer system changes will be completed by March 1, 2015;
- reimbursement under the new CRT billing codes and procedures will begin on November 1, 2015;
- CRT examinations will be conducted for all wheelchairs and prosthetic/orthotic devices purchased or rented under Medicaid;
- 57,852 devices will be provided under Medicaid in FY 2015-16, of which 33,747 devices will be provided after November 1, and require a CRT examination;
- 61,844 devices will require a CRT examination in FY 2016-17;
- the average CRT examination will be one hour at a cost of \$65.17 per hour (\$16.43 for a quarter-hour); and
- half of CRT examinations will require a prior authorization review at a costs of \$21 per review and half will either have the prior authorization conducted as part of the prior authorization review for the device itself or not have a prior authorization review.

Information technology — MMIS. To implement the new billing codes and procedures related to CRT devices and allowable suppliers, HCPF must make changes to the Medicaid Management Information System (MMIS). This work will result in a one-time cost of \$255,780, split evenly between FY 2014-15 and FY 2015-16 (\$127,890 per year). This cost is based on 2,030 hours of contract computer programming at a rate of \$126 per hour. These costs are paid with 75 percent federal funds and 25 percent General Fund.

Actuarial services. To develop the billing rates for CRT services and maintain them on an ongoing basis, HCPF requires \$15,000 per year, beginning in FY 2014-15, for actuarial services. These costs are paid with 51 percent federal funds and 49 percent General Fund

CRT examination reimbursement. Because the bill requires complex needs patients receiving CRT devices to have an examination with a qualified CRT professional, reimbursement for this examination will be required. Based on the assumptions above, CRT exams are expected to increase costs in HCPF by \$2.2 million in FY 2015-16 and \$4.1 million in FY 2016-17. These costs are paid with 51 percent federal funds and 49 percent General Fund.

Prior authorization review. The fiscal note assumes that half of CRT examinations will require a prior authorization review by a registered nurse with HCPF's utilization management contractor to ensure that the examination is medically appropriate. Based on the assumptions above, these reviews are expected to increase costs by \$354,341 in FY 2015-16 and \$649,359 in FY 2016-17. These costs are paid with 75 percent federal funds and 25 percent General Fund.

Program of All-inclusive Care for the Elderly (PACE). Clients enrolled in PACE will also be required to receive CRT examinations for covered devices, which will increase the costs of coverage. The fiscal note assumes that PACE costs for CRT examinations increase overall DME costs at twice the rate of the rest of the Medicaid population due to the high needs of the population. Therefore, PACE costs will increase by \$93,157 in FY 2015-16 and \$301,567 in FY 2016-17. These costs are paid with 51 percent federal funds and 49 percent General Fund.

Effective Date

The bill takes effect January 1, 2015, assuming no referendum petition is filed.

State Appropriations

The bill requires an appropriation of \$142,890 to HCPF in FY 2014-15, of which \$39,321 is General Fund and \$103,569 is federal funds. Of this amount, \$127,890 is reappropriated to the Governor's Office of Information Technology for MMIS system modifications.

Departmental Difference

HCPF estimates that the bill will increase costs by \$142,890 in FY 2014-15, \$9.9 million in FY 2015-16, and \$18.2 million in FY 2016-17. To arrive at these costs, HCPF assumes that four hours are billed per CRT examination (compared with one hour in the fiscal note) and that prior authorization will be conducted for all CRT examinations (compared with half of CRT examinations in the fiscal note).

The fiscal note does not concur with these assumptions for two main reasons. First, of the approximately 60,000 medical devices estimated to be affected by the bill, a significant portion will only require a minimal amount of CRT examination time (i.e., 15 minutes) to have the device fitted. Given this, the fiscal note also assumes that conducting a prior authorization review for each device would be inefficient or unnecessary. For example, spending \$21 to review a \$16.43 charge for a quarter-hour of CRT time is assumed not to be a prudent use of funding. Also, prior authorization for CRT examination time may also be incorporated into the existing review for the device itself.

This fiscal note should be considered as preliminary. Additional information is being sought to clarify the costs in FY 2015-16 and FY 2016-17 for CRT examinations and the examination time required for different devices. This additional information may narrow the differences between the fiscal note and HCPF's assumptions.

State and Local Government Contacts

Health Care Policy and Financing Human Services Office of Information Technology