

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6835

BILL NUMBER: SB 504

DATE PREPARED: Jan 10, 2000

BILL AMENDED:

SUBJECT: Medicaid and Children's Health Insurance Program.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
X **FEDERAL**

IMPACT: State

Summary of Legislation: This bill defines "emergency" for purposes of the Children's Health Insurance Program (CHIP). The bill prohibits cost sharing under CHIP for emergency services provided within a hospital emergency department.

The bill also provides that a request to repay an overpayment made to a provider under the Medicaid program or CHIP must be made not later than 12 months after the provider receives the overpayment.

Effective Date: July 1, 2000.

Explanation of State Expenditures: (Revised) This bill can affect state expenditures in the Medicaid and CHIP programs in two ways.

Prohibition on Cost-sharing for Emergency Services: This bill prohibits deductibles, coinsurance, or other cost sharing for services provided under the CHIP program for treatment of an "emergency" (as defined in this bill) in an emergency department of a hospital. Participants in Phase 2 (non-Medicaid expansion of Hoosier Healthwise) of the CHIP program may choose to receive services through either the Primary Care Case Management (PCCM) program or from a managed care organization in the Risk-based Managed Care (RBMC) program. Currently, the PCCM program does require an emergency room copayment (\$20) for those emergency room services that do not result in hospitalization. Managed care organizations in the RBMC program are permitted (but not required) to charge the same copayments (but not more) that are imposed under the PCCM program. The criteria for imposition of the copayment is whether the emergency room visit results in a hospitalization, rather than a definition of "emergency" as provided in the bill. The definition provided in the bill is probably less restrictive than the criteria currently used. Consequently, copayments would probably decrease (and utilization of emergency room services could increase) resulting in greater expenditures for emergency room services. Expenditures in the CHIP program are shared with the federal government at an enhanced rate of about 73% federal and 27% state.

Prohibition of Requesting Return of Overpayments After 12 Months: This provision could result in lower recovery of overpayments in both the Medicaid program and the CHIP program, for those overpayments not able for some reason to be requested within the 12-month period. OMPP reports that there were nine separate incidents of mass overpayments to providers identified in CY99. Of the nine overpayments, two will involve repayment requests more than 12 months after the provider received the payment. These two overpayments were for payments made at 100% rather than 50% and involved crossover duplicate claim payments (approximately 93,000 claims worth about \$7.2 M) and inpatient psychiatric leave days (approximate dollar value of \$1.5 M). OMPP reports that when an overpayment is due to a system problem, the overpayment first needs to be identified. Once identified, the claims processing system must be corrected before adjustments can be made. To the extent that identification and system reprogramming is unable to be accomplished in the 12 month period, there would be a direct loss in the amount of recovery.

In addition, federal regulations require the Medicaid program to conduct a post-payment review process based on retrospective reviews and conducted by the Surveillance and Utilization Review (SUR) Unit. SUR recoupments for 1999 that were related to services provided more than 12 months earlier totaled approximately \$2.5 M.

Federal regulations also provide that there can be a federal review at any time and that if a state has failed to identify an overpayment or a state has identified an overpayment, but has failed to act on it, the state is still obligated to refund the federal share.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal cost sharing in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, (317) 233-4455.