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FISCAL IMPACT STATEMENT

LS 7409
BILL NUMBER: SB 566

NOTE PREPARED: Jan 18, 2007
BILL AMENDED:

SUBJECT: Medicaid Claims and Psychiatric Facility Funding.

FIRST AUTHOR: Sen. Dillon
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires an insurer to accept a Medicaid claim for services provided a Medicaid recipient for three years after the date the service was provided. The bill specifies the circumstances in which a Medicaid claim may not be denied by an insurer. It also states that notice requirements may be satisfied by electronic or mail submission (current law provides only for certified or registered mail). The bill further requires an insurer to accept the state's right of recovery and assignment of certain rights as required by federal law.

The bill requires money collected by counties for children's psychiatric residential treatment services to be transferred to the state Psychiatric Residential Treatment Facility Fund.

Effective Date: July 1, 2007.

Explanation of State Expenditures:

Explanation of State Revenues: *Medicaid Claims for Services:* The provisions regarding Medicaid claims for services provided to Medicaid recipients that are or were also covered by another insurer bring the state statute into compliance with provisions of the federal Deficit Reduction Act of 2005. This provision may result in additional recoveries of Medicaid reimbursements. The Office of Medicaid Policy and Planning has estimated that annually an additional $3.2 M could be recovered. Recoveries are distributed between the state and federal government on the basis of the percentage paid by each. The state General Fund recovery is estimated to be $1.2 M.

The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Psychiatric Residential Treatment Facility Fund: The bill establishes the dedicated, nonreverting Psychiatric Residential Treatment Facility Fund to which counties are monthly required to transfer all monies in their county children's psychiatric residential treatment services fund. The bill specifies that the Psychiatric Residential Treatment Facility Fund may not contain contributions from Medicaid providers and that money in the fund shall be used to defray the cost of Medicaid services for children's psychiatric residential treatment services and associated administrative costs.

It is estimated that this bill would result in the transfer of approximately $24 M to the state in FY 2007. Thereafter, the amount of the budget established for the program (about $18 M for CY 2007) would be subject to transfer to the state. (This estimate is based on the assumptions that property taxes will be billed and paid within the statutorily mandated schedules and that about one-half of the operating balance will be remaining in the county funds on July 1, 2007.)

Explanation of Local Expenditures: *Psychiatric Residential Treatment Facility Fund:* Beginning July 1, 2007, each county auditor will be required to transfer the balance of the monies in the county fund each month to the state fund. Money in the state fund is to be used to defray the cost of Medicaid services for children's psychiatric residential treatment services (PRTS) and associated administrative costs. Counties are budgeted to expend $18 M for these services statewide in CY 2007. The total requested property taxes, financial institution taxes, and excise taxes are estimated to be $13.7 M statewide. The balance of approximately $4.6 M is to be drawn from operating balances available on a county-by-county basis. The provisions of this bill will result in unexpended balances in the county PRTS funds being transferred to the state. In some instances, some portion of these funds were to be available for the payment of county obligations for juvenile per diems of state-operated facilities, as permitted by statute. Transfer of these funds to the state would require the use of county general funds in the place of the PRTS funding.

Background: Before the separate PRTS levy was established, counties provided payment for inpatient residential treatment services for children determined to be wards of the court from the county Family and Children's Fund at 100% of the cost. When the PRTS levy was established in CY 2004, the Family and Children's levy was reduced by the amount spent for the inpatient residential treatment services, while the PRTS levy was calculated on what the state Medicaid share of those costs would have been, resulting in a net decrease between the two levies. The separate PRTS levy provided a methodology for leveraging Medicaid funding when available, requiring the county to provide the state share of the Medicaid program cost for all (not just the wards) Medicaid-eligible children under the age of 21 years in the county that are certified for placement in psychiatric residential treatment facilities. (The expenditures paid from this county fund can vary widely, especially for smaller counties. Unlike the Medicaid for Wards levy, the PRTS levy does not have a maximum levy limit. The tax levy for the county PRTS fund is based on the budgeted anticipated costs for the county's children's residential psychiatric services that are equal to the state share of the cost of services that are reimbursable by Medicaid, or about 38% of the total cost of the Medicaid services.

Currently, between January 1 and March 31 of each year the county auditor is to determine the amount of excess funds as calculated by a specified formula. Excess balances in the county children's psychiatric treatment services fund would be transferred to the county general fund to be used to pay the amount billed to the county for the care and maintenance of inmates housed at the Plainfield and Indianapolis juvenile correction facilities, if any. If no juvenile per diems are owed to the state, excess funds remain in the PRTS fund and are used to reduce the succeeding year's levy.

Explanation of Local Revenues: The bill does not influence the amount of local revenue raised for this purpose since there are no changes to how the levy is determined.

State Agencies Affected: Office of Medicaid Policy and Planning, Family and Social Services Administration.

Local Agencies Affected: County Auditors.

Information Sources: Deficit Reduction Act of 2005; Department of Child Services; Office of Medicaid Policy and Planning, Family and Social Services Administration.

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