

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 320

STATE OF NEW JERSEY 217th LEGISLATURE

DATED: OCTOBER 12, 2017

SUMMARY

- Synopsis:** Establishes minimum Medicaid reimbursement rate for personal care services.
- Type of Impact:** Annual State expenditure increase, General Fund; partially offset by enhanced federal Medicaid funds
- Agencies Affected:** Department of Human Services

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
State Cost Increase	\$25.7 million	\$26.2 million	\$26.7 million
State Revenue Increase	\$12.8 million	\$13.1 million	\$13.4 million

- The Office of Legislative Services (OLS) estimates that this bill may have a net cost impact on the State General Fund of approximately \$12.8 million in FY 2019, which is to grow by an estimated two percent annually. However, there is uncertainty on the future number of claims and the fee-for-service rate that will be established through future budget language.
- The hourly rate paid for personal care assistant services reimbursed through the fee-for-service Medicaid system is \$19.00 in the current fiscal year. According to testimony provided to the Assembly Human Services Committee, this rate is approximately \$3.50 more per hour than the average reimbursement rate currently paid by the Medicaid managed care organizations (MCOs).
- Information previously provided by the Department of Human Services to the OLS indicates that the Medicaid MCOs paid approximately 2.35 million claims in FY 2014 for 6.65 million hours of personal care assistance provided by Medicaid MCOs. If the hourly rate for each of these claims had been increased by \$3.50, the total increase would have equaled \$23.3 million in FY 2014. Assuming two-percent annual growth, the total increase in State expenditures would equal \$25.7 million in FY 2019.
- These State expenditures would be eligible for at least a 50 percent federal Medicaid match, and in some instances would be eligible for up to a 94 percent federal match in 2018.

Therefore, net State expenditures could be \$12.8 million for these claims, assuming a federal match of 50 percent.

- Additionally, the provision of the bill which requires the MCOs to report certain data to the Division of Medical Assistance and Health Services may result in minimal increased expenditures by the State. The OLS estimates that any cost to collect the new information would result in increased per beneficiary costs charged by the MCOs to the State.

BILL DESCRIPTION

Assembly Bill No. 320 (2R) of 2016 requires that the hourly reimbursement rate for personal care services which are funded through a Medicaid MCO be equal to the Medicaid fee-for-service rate for these same services.

Additionally, the bill requires that any increases in rates due to the enactment of this bill be used solely to increase wages for workers who directly provide personal care services. To support this directive, the bill requires the MCOs to annually report to the Division of Medical Assistance and Health Services in the Department of Human Services regarding the use of funds received as reimbursement for personal care services, including assurances that the increased funds received pursuant to this bill are being used exclusively for salary increases for workers who directly provide personal care services. Furthermore, the report is to detail the prior salary, current salary, and other changes to the salary of the workers who directly provide personal care services.

Currently, the hourly Medicaid fee-for-service rate is set at \$19.00 per hour, and the Medicaid MCO rate varies, but is generally between \$12.00 and \$16.00 per hour. The majority of Medicaid personal care services are reimbursed through a managed care delivery system and not through fee-for-service.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill may have a net cost impact on the State General Fund of approximately \$12.8 million in FY 2019, which is to grow by an estimated two percent annually. This cost is primarily attributable to the increase in the hourly fee paid by MCOs to personal care assistant services.

Additionally, the provision of the bill which requires the MCOs to report certain data to the Division of Medical Assistance and Health Services may result in minimal increased expenditures by the State. This would be so if the MCOs passed any cost increase related to the collection and reporting of the data on to the State through increased rates.

The hourly rate paid to personal care assistants reimbursed through the fee-for-service Medicaid system is \$19.00 in the current fiscal year.¹ According to testimony provided to the Assembly Human Services Committee, this rate is approximately \$3.50 more per hour than the reimbursement rate currently paid by the Medicaid MCOs, which is on average \$15.50 per hour.² Testimony also indicated that there are MCOs that reimburse less than \$15.50 per hour, but for the purposes of this estimate the \$15.50 hourly rate is used for the MCO rate.

Additionally, although the rate in the current year is set by the FY 2018 Appropriations Act at \$19.00 per hour, there is no guarantee that this rate will remain at the current level. Budget language in recent fiscal years has established the fee-for-service rate at various levels between \$15.50 and \$19.00 per hour. This bill would not take effect until the next fiscal year, beginning July 1, 2018. For the purposes of this fiscal estimate, the OLS uses the current \$19.00 per hour fee-for-service rate.

Information provided by the Department of Human Services to the OLS indicates that the Medicaid MCOs paid approximately 2.35 million claims in FY 2014 for 6.65 million hours of personal care assistance provided by Medicaid MCOs. For this estimate, a two-percent growth rate in hours has been applied using the FY 2014 hours as a baseline. If the hourly rate for each of these claims were to be increased by \$3.50, the total increase in State expenditures would equal \$25.7 million in FY 2019, \$26.2 million in FY 2020, and \$26.7 million in FY 2021.

These State expenditures would be eligible for at least a 50 percent federal Medicaid match, and in some instances would be eligible for up to a 94 percent federal match.³ For the purposes of this estimate, the OLS anticipates that the State would receive federal matching funds which would offset approximately 50 percent of the expenditures, or \$12.8 million in FY 2019, \$13.1 million in FY 2020, and \$13.4 million in FY 2021.

Section: Human Services

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

¹ Page B-92, FY 2018 Appropriations Handbook.

² Testimony provided to the Assembly Human Services Committee on May 19, 2016 by Louise Lindenmeier, Director of Government Affairs, Bayada Home Health Care.

³ Provisions of the federal Affordable Care Act require that expenditures for certain new Medicaid enrollees will be matched 94 percent in January 2018. This rate will decrease in subsequent years to a minimum 90 percent federal match in January 2020.