

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 3365

STATE OF NEW JERSEY
218th LEGISLATURE

DATED: APRIL 1, 2019

SUMMARY

- Synopsis:** Establishes perinatal episode of care pilot program in Medicaid.
- Type of Impact:** Indeterminate multiyear impact on State expenditures and revenue; General Fund.
- Agencies Affected:** Department of Human Services.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2020 through FY 2025</u>
State Expenditure Impact	Indeterminate
State Revenue Impact	Indeterminate

- The Office of Legislative Services (OLS) estimates that the bill will provide an indeterminate amount of cost savings to the State due to the implementation of a perinatal episode of care pilot program and will also result in an indeterminate State expenditure increase for the program’s administration. Any cost reduction or increase will result in a countervailing change in State revenues from federal Medicaid funds.

BILL DESCRIPTION

The bill implements a three-year perinatal episode of care pilot program in Medicaid, to be developed by the perinatal episode of care steering committee, which will be established under the bill by the Division of Medical Assistance and Health Services (DMAHS) in the Department of Human Services (DHS).

The steering committee is to consist of ten or more members with knowledge regarding alternative payment methodologies for pregnancy-related services within Medicaid, including, but not limited to: the Director of the DMAHS, or the director’s designee; representatives from each of the current Medicaid managed care organizations (MCOs) contracted with the division to provide Medicaid benefits; at least two representatives of federally-qualified health centers, with

at least one from a center located in northern New Jersey and at least one from a center located in southern New Jersey; and at least three maternity healthcare providers, representing northern, central, and southern New Jersey, approved to participate in Medicaid.

The steering committee will make recommendations on how the division shall: (1) Identify the services to be covered under each episode of care; (2) Establish patient volume minimums for participating providers; (3) Identify quality metrics and quality metric targets to be included in the episode; (4) Establish a methodology to calculate the target total cost of care for an episode and calculate any risk sharing payments between a MCO and a participating provider; (5) Establish additional episode parameters; and (6) Define the scope of the pilot program.

Under the bill, the division is to require at least one MCO to enter into a provider agreement with an obstetrical provider or group of obstetrical providers to implement the perinatal episode of care payment model. The bill also directs participating providers to: submit all information required to fulfill the provisions of the bill to the division; conduct a risk assessment for all episodes using the Perinatal Risk Assessment form; and, with the mother's consent, forward the assessment to the appropriate county intake center for review and possible follow up with the mother to provide her with information and referrals to appropriate services.

The steering committee is also required to report to the Governor and the Legislature four years following the commencement of the pilot program on the effectiveness of the pilot, and to make any recommendations that it deems appropriate. The division is also directed to make copies of the report available to the public on the DHS website.

The bill would take effect immediately upon enactment, with the steering committee convening no later than July 1, 2019 and the pilot program commencing no later than January 1, 2021, unless a later date is recommended by the steering committee and approved by the division, and would expire upon the submission of the report by the division to the Governor and Legislature, as required by the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill will provide an indeterminate amount of cost savings to the State due to the implementation of a perinatal episode of care pilot program and also result in an indeterminate expenditure increase for the program's administration. Any cost reduction or increase will result in a countervailing change in State revenues from federal Medicaid funds.

This estimate assumes that savings will be realized because total expenditures on perinatal services for participating Medicaid enrollees under the episode of care pilot program will be less than they would have been under the existing payment model. Other states have experienced a decrease in Medicaid costs resulting from the implementation of similar programs. For example, Tennessee's Medicaid episode-based payment strategy reduced perinatal costs by 3.4 percent or approximately \$4.7 million in 2014 to 2015. As the parameters of New Jersey's program may not reflect those in Tennessee, the OLS cannot determine if the State will experience the same level of cost savings. There are a range of unknown factors regarding the fiscal impact of the bill, such as the services to be covered under the perinatal episode of care; the target total cost; the number of Medicaid managed care organizations, providers, and enrollees participating; and

the geographic scope of the program. The OLS notes that the number of participating MCOs, providers, and patients will be reflected in the magnitude of cost savings, with the bill setting the minimum requirement for participation at one MCO and one obstetrical provider.

The OLS also concludes that DHS will incur indeterminate costs in establishing and administering the pilot program and the perinatal episode of care steering committee. Any increase in costs for eligible Medicaid administrative expenses will be matched by an increase in federal Medicaid funds.

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.).