

Fiscal Estimate Narratives

DHFS 11/2/2007

LRB Number	07-2320/1	Introduction Number	AB-0463	Estimate Type	Original
Description Mental health professionals who may provide outpatient services for the treatment of nervous and mental conditions and alcoholism and other drug abuse problems or who, under Medical Assistance, may provide psychotherapy and alcohol and other drug abuse services and exempting certain Medical Assistance benefits from physician prescription requirements					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a physician's prescription is required to authorize most Medicaid services, including all mental health and Alcohol and Other Drug Abuse (AODA) services, with the exception of crisis intervention services.

Also under current law, group health insurance policies that provide coverage of any outpatient treatment are required to provide coverage for outpatient services for the treatment of nervous and mental disorders and AODA problems. The outpatient services that must be covered include (1) a program in an outpatient treatment facility; the program must be approved by DHFS and the facility must also be certified by DHFS; (2) services of a licensed physician who has completed residency in psychiatry; and, (3) services of a licensed psychologist who is nationally certified.

AB 463 specifies that the Department may not require (1) that licensed mental health professionals or psychologists be supervised or (2) that clinical psychotherapy and AODA services be provided under a certified program. AB 463 further specifies that the Department may not require, as a condition of Medicaid reimbursement, a physician's prescription for mental health or AODA services provided by a licensed mental health professional or licensed psychologist. Finally, the bill requires a defined network health insurance plan to cover the services of clinical social workers, marriage and family therapists, and outpatient mental health and AODA counselors for dependents of plan holders if the dependents are students who are in another state attending school.

It has been the Department's experience that costs increase when any kind of oversight is eliminated. For example, when prior authorization was no longer required for certain equipment, such as glucose monitors and nebulizers, utilization of this equipment increased by between 250% and 600%. Eliminating the physician prescription requirement eliminates oversight in the form of an independent assessment of medical necessity before the services are provided and, as a result, utilization is expected to increase. In addition, utilization of mental health and AODA services is also likely to increase if licensed practitioners are no longer subject to clinic supervision or program certification requirements. Although these services will still be subject to prior authorization, it will be more difficult to control costs or limit appropriate use of these services because, unlike private insurance, Medicaid has no limits on medically necessary mental health services.

For most outpatient mental health and substance abuse services, Medicaid requires prior authorization after a recipient receives 15 hours or \$500 of mental health/substance abuse services in a calendar year. The current average cost per person of services recipients receive before prior authorization is \$233.26 for adults and \$135.69 for children. If the oversight provided by a physician's authorization is removed, it is likely that utilization and costs will increase, because services may now be provided up to the prior authorization limit of \$500 before medical necessity is determined by an independent practitioner. If all services currently requiring a physician's authorization were to increase to the limit of \$500, the additional cost to the state would be \$12.2 million AF (\$5.2 million GPR).

It is unlikely that utilization would increase to this extent. Based on previous experience with the elimination of oversight restrictions, however, it is estimated that Medicaid costs will increase by at least 20% over current expenditures, for a total increased cost of \$1,529,500 AF (\$648,200 GPR) annually.

Eliminating the requirement of a clinic setting and physician prescription would also make the Department's task of monitoring quality of care for MA recipients more difficult.

Historically, insurance carriers have considered the DHFS clinic approval process a measure of quality

assurance, which enables them to save on their costs because they do not have to repeat the process. Under AB 463, insurance carriers will have to attain that assurance and conduct oversight through other means, potentially increasing their costs.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Mental health professionals who may provide outpatient services for the treatment of nervous and mental conditions and alcoholism and other drug abuse problems or who, under Medical Assistance, may provide psychotherapy and alcohol and other drug abuse services and exempting certain Medical Assistance benefits from physician prescription requirements			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations	1,529,500	
	TOTAL State Costs by Category	\$1,529,500	\$
B. State Costs by Source of Funds			
	GPR	648,200	
	FED	881,300	
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$1,529,500	\$
	NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By			
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		Date	
		11/2/2007	