Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2019 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 19-3887/1	Introduction Number SB-380

Description
: coverage of services under Medical Assistance provided through telehealth and other technologies, extending the time limit for emergency rule procedures, and granting rule-making authority

Fiscal Effect

State:
☐ No State Fiscal Effect
☒ Indeterminate
☐ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations
☐ Increase Existing Revenues
☐ Decrease Existing Revenues
☒ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☒ No
☐ Decrease Costs

Local:
☐ No Local Government Costs
☐ Indeterminate
1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
☐ Towns ☐ Village ☐ Cities
☐ Counties ☐ Others
☐ School Districts ☐ WTCS Districts

Fund Sources Affected
☒ GPR ☒ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DHS 10/1/2019

LRB Number **19-3887/1**	Introduction Number **SB-380**	Estimate Type **Original**
Description : coverage of services under Medical Assistance provided through telehealth and other technologies, extending the time limit for emergency rule procedures, and granting rule-making authority		

Assumptions Used in Arriving at Fiscal Estimate

Overview

This bill creates new, and modifies existing, statutes relating to the provision of services via telehealth in Wisconsin's Medicaid program. In general, the provisions in this bill will expand Medicaid members' access to Medicaid-covered services and will likely result in increased Medicaid expenditures, although the specific increase is indeterminate.

The bill establishes three types of telehealth to be allowed for rendering benefits available in the Wisconsin Medicaid program: 1) Asynchronous Telehealth, which refers to the transmission of medical data from a member to a provider that is not a real-time, interactive communication; 2) Interactive Telehealth, which refers to a real-time, interactive communication between a member and a provider; and 3) Remote Patient Monitoring, which refers to the transmission of a member's medical data to a provider for monitoring and, if necessary, response. The bill indicates telehealth would not include audio-only communications or electronic mail communications, unless the Department specified otherwise by rule.

The bill allows the Department to promulgate emergency rules to implement the provisions of this bill to be in effect until the date in which a final rule becomes effective, or no later than July 1, 2022.

Provisions Applying Telehealth to Current Wisconsin Medicaid Benefits

The bill directs the Department to allow the provision of Medicaid-allowed benefits under 49.45(2) to occur via telehealth. Presently certain reimbursable procedure codes in the audiology, end-stage renal disease, outpatient services, in- and out-patient consultations, health and behavior assessment, outpatient mental health services, outpatient substance abuse services, day treatment, crisis intervention, community support program, and comprehensive community service program are permitted to be rendered via telehealth. These telehealth-rendered services can be provided in hospitals, offices, clinics, or skilled nursing facilities. In SFY 19, the Department made reimbursements totaling $1.8 million All-Funds (approximately $720,000 GPR) for those services rendered via telehealth. This represented 0.43 percent of all reimbursements made on telehealth-eligible services.

In addition, the bill requires services provided via telehealth be reimbursed no differently than a face-to-face encounter, that there be no restriction on the location of the member at the time of service, does not allow the Department to require any additional certification of, or impose additional requirements on, providers rendering a service via telehealth, and removes existing statutory requirements of behavioral health providers to obtain a telehealth certification in order to render services via telehealth. The bill does allow the Department to require the transmission of information via telehealth to be of sufficient quality to be functionally equivalent to face-to-face contact and to apply the requirements of services provided through a face-to-face interaction to those services provided via telehealth.

Fiscal Impact

Published research studies and reviews describing the effect of adding telehealth as means to render services, including the impact of telehealth on health outcomes, the substitution effect of face-to-face encounters for telehealth services, and the cost-effectiveness of telehealth relative to in-person medical encounters, typically address a limited set of telehealth modalities, health conditions, and populations. The Department's assessment

of the literature indicates the Wisconsin Medicaid program would see higher costs due to improvements in members' access to services offered via telehealth.

Because the bill requires Medicaid to reimburse telehealth services at the same rate as services rendered face-to-face, the fiscal impact will be at best cost neutral. If expanded use of telehealth improves access to needed services, then utilization, and costs, will increase.

Previously, the Department estimated costs for a limited expansion of telehealth for the 2019-21 biennial budget. Adding additional codes, additional benefit areas, and removing certification requirements, as the bill does, would result in expenditures higher than estimated for the 2019-21 biennial budget.

In the last 12 months for which data is available, the Department has spent approximately $32 per member per month on benefits that are presently eligible for telehealth and $378 per member per month on benefits on benefits that would become eligible for telehealth under this bill.

The magnitude of the increase of expenditures on telehealth rendered services is uncertain. In those benefit areas in which telehealth is currently allowed, using an increase of telehealth costs from 0.43 percent of all reimbursements made on telehealth-eligible services to 0.75, as a lower bound estimate, and to 1 percent, as an upper bound estimate, results in an annual cost increase of $1.3 to $2.3 million All-Funds ($0.5 to $1.0 million GPR).

In newly allowed benefits areas, projecting that telehealth costs will become 0.25 percent of all reimbursements made on newly telehealth-eligible services, as a lower bound estimate, and 0.5 percent, as an upper bound estimate, results in an annual cost increase of $12.1 to $23.0 million All-Funds ($5.0 to $9.4 million GPR).

With expanded Medicaid reimbursement to telehealth-delivered services, some members will have more access to needed services and therefor utilize those services to a greater degree. At the same time, telehealth services will, to some extent, replace services that would otherwise be delivered face to face. The above estimates represent the net effect of expanded utilization and replacement of services.

Costs could be lower, or significantly higher, than the above estimate range depending on a variety of factors. If providers adopt telehealth more broadly, members will be able to access services, and will use those services, to a greater degree. In addition, improved access to telehealth-delivered services could lead to greater utilization of follow-up medical services, pharmacy costs, or medical equipment costs.

Medicaid managed care organizations currently use telehealth services for Medicaid members to some degree, but the costs of these services are not captured in the Department’s annual capitation rate setting process. HMOs fund these services through the administrative portion of the capitation rate or through cost efficiencies in other service areas. Costs will increase when the Department begins including telehealth services in future rate setting, once those services become Medicaid reimbursable.

Utilization of services rendered via telehealth may result in lower utilization of the Medicaid transportation benefit, which could conceivably reduce the Department's costs related to this benefit.
The methodology used to set capitation rates for the managed care organizations is the same as the methodology used for calculating capitation rates for the transportation broker. Any decline in transportation costs, would only begin to reduce costs to the Department beginning two years hence.

To the extent the provision services via telehealth prevents or reduces the frequency of poor downstream health outcomes or averts episodes of high-cost acute care, Medicaid costs could be lower than they otherwise would be. Research supporting these outcomes is limited, not conclusive, and typically evaluates a specific combination of populations, illness, and telehealth service. As a result, the Department is not able to estimate any cost savings, if any, for future biennia, and would not expect to see cost savings, if any, in the current biennium.

Provisions Creating Newly Covered Telehealth Services

The bill directs the Department to reimburse consultations between certified Medicaid providers in the context of rendering services to a Medicaid member, applications of asynchronous telehealth and remote patient monitoring, and telehealth and communication services available to members of the Medicare program. The bill provides the Department authority to make certain exemptions by rule related to consultations between certified

Medicaid providers in the context of rendering services to a Medicaid member, applications of asynchronous telehealth, and applications of remote patient monitoring. The bill provides that Medicaid must begin covering a telehealth service one year after the date Medicare begins covering a service via telehealth.

Currently, DHS 107.03(12) prohibits reimbursement for provider-to-provider communications and the Department does not reimburse for asynchronously provided telehealth services, does not reimburse for remote patient monitoring services, and does not actively align Medicaid-covered services to Medicare-covered services. 2019 Wisconsin Act 9 authorized the Department to establish, by rule, method to reimburse for appropriate provider-to-provider communications and asynchronous telehealth services, although this provision would be repealed by this bill.

Fiscal Impact

Of the 98 procedure codes covered by Medicare in 2019 that are available to be provided via telehealth, Wisconsin Medicaid covers 40. Of the remaining 58 procedure codes, most fall within Medicaid benefit areas that have other telehealth-eligible procedure codes, including End-Stage Renal Disease, Health and Behavioral Assessments, and Evaluation and Monitoring. The Department does not anticipate expenditures to be higher or lower due the bill's requirement that Wisconsin Medicaid cover services via telehealth that are covered by Medicare via telehealth.

The Department does not have data available to precisely estimate the cost of adding provider-to-provider consultations, applications of asynchronous telehealth, and remote patient monitoring to Medicaid-covered services.

Using a lower bound estimate of 0.1 percent of the current monthly Medicaid population and an upper bound estimate of 0.25 percent as the number of members who would have a provider-to-provider consultation made on their behalf, the same range as the percent of members who would have a claim for an asynchronous telehealth service, and the same range as the percent of members who would have a claim for a remote patient monitoring service, the total annual cost to the Department is estimated to be between $1.6 million and $4.1 All-Funds ($0.7 to $1.6 million GPR).

As mentioned previously, the Department is unable to estimate any cost savings from these newly covered telehealth services, if any, members' future need for fewer routine clinical services, reductions in episodes of high-cost acute care, or improved long-term health outcomes.

In the event the addition of these services has the effect of reducing costs, whether in aggregate or by specific health condition, the Department is unlikely to experience cost savings in the current biennium.
This is due to the Department's expectation that costs for these services will reflect new service utilization, and any substitutive effect for higher cost clinical services and any reduction in the frequency of higher-cost downstream episodes of care would not materialize until later biennia.

Summary

The Department estimates the two central components of this bill, expanding access to telehealth services for existing benefit areas in Wisconsin Medicaid and establishing new modalities of reimbursable telehealth services, will increase costs to the Department by between $15.0 and $29.4 million All-Funds ($6.2 to $12.0 million GPR) annually. To the extent providers' adoption, and members' utilization, of telehealth services phases-in, the costs will also phase-in. The Department will not experience the full estimated cost range in the 2019-21 biennium.

Long-Range Fiscal Implications