

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2016 REGULAR SESSION**

**MEASURE**

2016 BR NUMBER **0081**

**HOUSE** BILL NUMBER **118**

RESOLUTION NUMBER \_\_\_\_\_

AMENDMENT NUMBER **HCS 1**

**SUBJECT/TITLE** **An ACT relating to the payment of Medicaid claims and declaring an emergency.**

**SPONSOR** **Representative Gregory Stumbo**

**NOTE SUMMARY**

FISCAL ANALYSIS:  IMPACT     NO IMPACT     INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT:  STATE     LOCAL     FEDERAL

BUDGET UNIT(S) IMPACT: **Cabinet for Health & Family Services**

FUND(S) IMPACT:  GENERAL     ROAD     FEDERAL     RESTRICTED AGENCY \_\_\_\_\_     OTHER

**FISCAL SUMMARY**

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
<b>REVENUES</b>				
<b>EXPENDITURES</b>		Indeterminable	Indeterminable	Indeterminable
<b>NET EFFECT</b>		(Indeterminable)	(Indeterminable)	(Indeterminable)

( ) indicates a decrease/negative

**MEASURE’S PURPOSE:** This measure would allow a provider who has exhausted an internal appeals process of a Medicaid managed care organization (MMCO) to request an administrative appeals hearing by the Division of Administrative Hearings of the Cabinet for Health and Family Services.

**PROVISIONS/MECHANICS:** Section 1 creates a new section of KRS Chapter 205 to define terms; establishes that a provider may seek an appeal of an MMCO’s final decision of denial, nonpayment, or the amount of the reimbursement to the provider for a health care service rendered to an enrollee or member of the MMCO; and establishes the proceedings for an administrative appeals hearing and a mechanism for the awarding of attorneys’ fees. The section also provides that the bill apply to all MMCO contracts enacted on or after July 1, 2016.

Section 2 amends KRS 13B.020 to exempt administrative appeal hearings related to MMCO final decisions from the provisions of that Chapter.

Section 3 establishes the effective date of the bill.

**FISCAL EXPLANATION:** The Cabinet for Health and Family Services estimates that the legislation would result in increased costs for the Cabinet. The estimated cost for administering the requirements of the bill is a total of \$1 million for the Administrative Hearings Branch. These administrative costs would be eligible for a 50/50 Medicaid match rate, which would entail the Cabinet expending \$500,000 in state funds to secure the matching federal funds.

The Cabinet also estimates that the appeals process could increase the costs of the Cabinet's contracts with the MMCOs. In 2017, MMCO payments are estimated to be approximately \$7 billion annually. If only one percent of the total annual MMCO payments were contested, and half of the one percent payments were upheld in the opinion of the hearing officer, approximately \$35 million annually would be paid back to providers by MMCOs on an annual basis. This could result in an increased capitated rate paid by the cabinet to the MMCOs in future contract agreements.

**DATA SOURCE(S):** Cabinet for Health & Family Services

**PREPARER:** Miriam Fordham **NOTE NUMBER:** 79 **REVIEW:** JRS **DATE:** 2/29/2016

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