

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2019 REGULAR SESSION**

MEASURE

2019 BR NUMBER 0375

SENATE BILL NUMBER 42

TITLE AN ACT relating to service improvements in the Medicaid program.

SPONSOR Senator Stephen Meredith

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: Department for Medicaid Services

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

FISCAL ESTIMATES	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			
EXPENDITURES		\$129,100,000 (GF) \$452,300,000 (FF)	Indeterminable
NET EFFECT		(\$129,100,000) (GF) (\$452,300,000) (FF)	Indeterminable

() indicates a decrease/negative

PURPOSE OF MEASURE: The purpose of the measure is to limit the number of Medicaid managed care (MCO) contracts to three and to require that services provided in rural counties be reimbursed at the median amount paid to urban health care providers within the nearest metropolitan statistical area (MSA) with penalties to be paid to the underpaid provider.

FISCAL EXPLANATION: Section 1 of the legislation limits the number of MCO contracts to three. The Cabinet for Health and Family Services (CHFS) estimates no fiscal impact due to these provisions as long as there are at least three MCOs operating in the Medicaid program.

CHFS estimates that the provisions Section 2 of the legislation requiring that services provided in rural counties be reimbursed at least at the median amount paid to urban health care providers within the nearest MSA would increase Medicaid expenditures. In order to estimate the fiscal impact, the Department for Medicaid Services (DMS) analyzed county by county data to determine the median per member per month (PMPM) for urban and rural areas in State Fiscal Year (SFY) 2018. The analysis showed that the median urban PMPM was \$88.73 and the median rural PMPM was \$67.95. Based on SFY 2018 rural Medicaid expenditures of \$3.326 billion, DMS estimates expenditures of \$3.907 billion if reimbursements were paid at the median urban PMPM for a total of \$581.4 million in increased expenditures.

Federal Medicaid match rates vary by the particular Medicaid eligibility group. In addition, the federal match rates are scheduled to change from 100 percent federal funding to 90 percent federal funding and 10 percent state funding for the Medicaid expansion eligibility group for SFY 2020 when the provisions of the legislation would take effect. Applying a blended match rate of 22 percent, DMS estimates that there would be a fiscal impact of \$129.1 million in General Fund and \$452.3 million in Federal Funds in increased Medicaid expenditures.

DATA SOURCE(S): Cabinet for Health and Family Services

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