GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1280 (Third Edition)

SHORT TITLE: DHHS Evaluate Telemon/Home Care Licenses.

SPONSOR(S): Senator Dannelly

FISCAL IMPACT

Yes (x) **No ( )** **No Estimate Available ( )**

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
REVENUES					
Division of Facility Services	**($44,100)**	**($44,100)**			
EXPENDITURES					
Division of Medical Assistance	**$110,000**				
POSITIONS (cumulative):	**-0-**	**-0-**			

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:

EFFECTIVE DATE: When the act becomes law.

BILL SUMMARY:

In subsection (a) of the proposed legislation, the Department of Health and Human Services, Division of Medical Assistance is required to implement a pilot program to evaluate the use of telemonitoring equipment in home and community based services. The department is required to reimburse home care agencies and other providers for participation in the pilot program. The pilot program shall be implemented October 1, 2006, and the Department is required to report the Study Commission on Aging by August 1, 2007.

Subsection (b) of the proposed legislation also prohibits the licensure for new home care agencies that intend to offer in-home aide services for one year beginning January 1, 2007.

ASSUMPTIONS AND METHODOLOGY:

Background

The proposed legislation affects two divisions within the Department of Health and Human Services. Subsection (a) of the proposed legislation affects the Division of Medical Assistance (DMA), and subsection (b) affects the Division of Facility Services (DFS). This fiscal note estimates the fiscal impact of the proposed legislation on both divisions.

Division of Medical Assistance

The estimated fiscal impact of the implementation of a pilot program to evaluate the use of telemonitoring equipment in home and community based services will be determined by the scope of the pilot program. For the purposes of this fiscal note, the following assumptions have been used to estimate the fiscal impact of subsection (a) of the proposed legislation:

- DMA will identify two Community Care of NC (CCNC) networks to participate in the pilot project.
- The CCNC networks will identify two to three service providers who already own telemonitoring equipment to deliver telemonitoring services for the pilot.
- Up to 100 Medicaid recipients who are receiving home and community care services will participate in the pilot.
- The pilot will operate for up to six months or 180 days.
- The daily reimbursement rate will be $10. (This rate is an estimate. The actual reimbursement rate will be determined using a cost model so the final rate may be a little lower or higher.)
- DMA will hire a consultant to evaluate the pilot and prepare a report for the legislative Study Commission on Aging. DMA has estimated that a consultant will cost $40,000.
- The federal Financial Medicaid Assistance Participation (FMAP) will be at the 50% administrative rate because the pilot is not statewide and the cost of the consultant is an administrative expense.

Using these assumptions, the total fiscal impact of subsection (a) for the Division of Medical Assistance will be $220,000 for Fiscal Year 2006-07 (100 participants x180 days x $10 per day + $40,000 for the consultant). The state share of the fiscal impact is $110,000 for Fiscal Year 2006-07 or 50% of the total cost. No funds have been appropriated to support the pilot program which means the implementation of subsection (a) of the proposed legislation will require the expenditure of reversions.

The purpose of the pilot program required by subsection (a) of the proposed legislation is to determine whether the use of telemonitoring reduces the cost of providing other Medicaid services such as inpatient hospital visits. While other small studies have indicated that the use of telemonitoring can save money by reducing hospital visits and other expenses, there is not enough data available to determine whether potential cost savings to the Medicaid Program from the proposed pilot will exceed the cost of the pilot.

Division of Facility Services

Pursuant to G.S. 131E-138(c) the current fee for home care licenses is $350. In State Fiscal Year 2005-06, the Division of Facility Services issued 252 home care licenses for new home care agencies. Assuming that without subsection (b) the proposed legislation, the Division would have licensed the same number of new agencies in Calendar Year 2007 as were licensed in SFY 2005-06, the suspension of licensure of new home care agencies for one year is estimated to result in the loss of $88,200 in fee revenue ($350 x 252 agencies). Because the suspension is for one calendar year; this loss would occur over two fiscal years, with an estimated loss in revenue of $44,100 in each fiscal year.

It is important to note that it is possible that agencies intending to apply for licensure during the suspension period may decide to submit for licensure immediately before the suspension is imposed or immediately after the suspension is lifted, mitigating the effects of the revenue loss. However, it is not possible to predict the how many agencies would fall into these categories. Therefore, the above estimate of a loss of $88,200 in fee revenue should be considered a conservative estimate.

SOURCES OF DATA: Department of Health and Human Services, Division of Facility Services and the Division of Medical Assistance

TECHNICAL CONSIDERATIONS:

Section 10.9C of S.L. 2006-66 (the budget bill) is very similar to subsection (a) of SB 1280. The language in S.L. 2006-66 is permissive because the language says the Division of Medical Assistance (DMA) “may implement a pilot program”, while the language in SB 1280 mandates the implementation of a pilot program by saying the DMA “shall implement a pilot program.” By mandating that the DMA implement a pilot program to evaluate the use of telemonitoring equipment in home and community based services, the proposed legislation requires DMA to expend funds even if no funding is available. If the proposed legislation is enacted after S.L. 2006-66, the language in SB 1280 will prevail since it would have a later enactment date than S.L. 2006-66.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Carol Shaw and Andrea Russo

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

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