

### Fiscal Estimate - 2001 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>01-4879/1</b>	<b>Introduction Number</b> <b>AB-806</b>
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**Subject**

Delete MA provider fraud and abuse provisions

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input checked="" type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

**Local:**

<input checked="" type="checkbox"/> No Local Government Costs	<b>5. Types of Local Government Units Affected</b>	
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
1. <input type="checkbox"/> Increase Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Counties <input type="checkbox"/> Others
2. <input type="checkbox"/> Decrease Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
4. <input type="checkbox"/> Decrease Revenue	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.435 (4) (b), 20.435 (4) (o)	

<b>Agency/Prepared By</b> DHFS/ Anne Miller (608) 266-5422	<b>Authorized Signature</b> Fred Ellen Bove (608) 266-2907	<b>Date</b> 2/27/02
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**Fiscal Estimate Narratives**

**DHFS 2/27/02**

LRB Number <b>01-4879/1</b>	Introduction Number <b>AB-806</b>	Estimate Type <b>Original</b>
<b>Subject</b>		
Delete MA provider fraud and abuse provisions		

**Assumptions Used in Arriving at Fiscal Estimate**

This bill repeals provisions enacted under Act 16 relating to Department of Health and Family Services' recovery of Medical Assistance (MA) provider overpayments and erroneous payments. The Act 16 provisions, eliminated under this bill, strengthen DHFS' control of factors that contribute to MA fraud and abuse. Additionally, this bill restores provisions eliminated under Act 16 that allow the DHFS Secretary to issue subpoenas and give a county judge the power to enforce a DHFS subpoena. This bill also creates language to require DHFS to promulgate rules for MA reimbursement and to allow providers under review by DHFS an opportunity of a class 2 proceeding.

This bill's fiscal effect is estimated at \$490,900 AF (\$227,900 GPR and \$263,000 FED). Of these costs, \$171,000 AF (\$72,800 GPR and \$98,200 FED) are one time only costs and the remaining \$319,900 AF (\$155,100 GPR and \$164,800 FED) are ongoing costs.

The cost to the repeal of the Act 16 provisions is estimated at \$207,500 AF (\$86,200 GPR and \$121,300 FED) and is equal to the assumed savings under Act 16 for strengthened DHFS' control of factors that contribute to MA fraud and abuse. Act 16 assumed savings as follows:

	AF	GPR	FED
Timeliness of Payments (first year only)	\$150,000	\$62,300	\$87,700
Suspension of Providers	\$32,500	\$13,500	\$19,000
Access to Income Tax Refunds	\$20,000	\$8,300	\$11,700
Interest Payments on Recoveries	\$5,000	\$2,100	\$2,900
Total	\$207,500	\$86,200	\$121,300

Of these costs, \$150,000 AF are one time only and the remaining \$57,500 AF are ongoing costs to the MA appropriation.

The cost to provide MA providers under review an opportunity for a class 2 proceeding is estimated at \$283,400 AF (\$141,700 GPR and \$141,700 FED). In a class 2 proceeding, under s. 227.01 (3) and s. 227.45 (7), the state and provider would be granted the right to discovery which is the right to use discovery procedures of depositions and interrogatory requests. Currently MA providers have a right to a class 3 hearing, as defined under s. 227.01 (3) and s. 227.45 (7), which does not involve discovery in the form of depositions and interrogatory requests.

It is assumed that a right to discovery would result in additional DHFS auditor workload. DHFS auditors would be required to provide a deposition as requested by an MA provider under review and respond to a provider's interrogatory request. A right to discovery would also result in additional DHFS attorney time. DHFS attorneys would both provide representation to DHFS at provider depositions and depose MA providers under review. DHFS attorneys would also review DHFS responses to MA providers' interrogatory requests and resolve disputed discovery procedures and DHFS responses. It is estimated that the additional workload would equal 3.03 FTE auditors and 1.32 FTE attorneys at a cost of \$283,400 AF (\$141,700 GPR and \$141,700 FED). Of these costs \$262,400 AF are ongoing position costs and \$20,900 AF are one-time costs.

If additional auditor staff is not provided under this bill, MA benefit costs will increase by \$1,766,600 AF (\$733,700 GPR and \$1,032,800 FED). The additional auditor workload required under this bill would replace an

estimated 5,168 hours of auditing activity. Auditing activity is expected to generate an estimated \$341.83 in MA benefits savings per hour. Therefore, if additional auditor FTE were not provided under this bill, MA benefit costs would increase by \$1,766,600 AF which is the amount equal to the hours of supplanted auditor activity estimated under this bill times the estimated MA savings per hour.

There is no fiscal effect for the sections of this bill that restore language eliminated under Act 16 and require DHFS to promulgate rules for MA reimbursement. DHFS currently promulgates rules for MA reimbursement under HFS 106. DHFS also currently performs the DHFS Secretary functions eliminated under Act 16 and restored under this bill. The Act 16 provisions related to this bill do not become effective until January 1, 2003, and thus DHFS continues to perform these functions.

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

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<b>Subject</b>			
Delete MA provider fraud and abuse provisions			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<p>\$171,000 AF (\$72,800 GPR and \$98,200 FED) are one time costs to the state due to this bill. Of these one time costs, \$150,000 AF (62,300 GPR and \$87,700 FED) are due to the bill's elimination of Act 16 provisions to strengthen DHFS' control of MA fraud and abuse, and \$21,000 AF (\$10,500 GPR and \$10,500 FED) are due to the bill's addition of the right to discovery for providers under review by DHFS.</p>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$262,400		
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations	57,500		
<b>TOTAL State Costs by Category</b>	<b>\$319,900</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR	155,100		
FED	164,800		
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$319,900	\$	
NET CHANGE IN REVENUE	\$	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>

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2/27/02