

FISCAL NOTE
Requested by Legislative Council
03/11/2011

REVISION

Amendment to: SB 2043

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$1,873,000		\$391,534
Expenditures			\$1,873,000	\$1,873,000	\$391,535	\$391,534
Appropriations			\$1,873,000	\$1,873,000	\$391,535	\$391,534

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The amended Bill requires the Department to develop in conjunction with developmental disabilities service providers a prospective or related payment project. The project would transform the existing cost-based reimbursement system to a prospective or related payment system.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This developmental disabilities service providers payment system would transform the existing cost-based reimbursement system to a prospective rate/resource allocation framework where provider rates are set by the State and used to develop a resource allocation model that ties payment to the assessed level of need for the client.

Prospective reimbursement is distinguished from retrospective in that once the rate is established there is no after-the-fact reconciliation to cost data. Providers and the State know on a real-time basis what final payments are for a current year. Prospective reimbursement systems establish the payment for a service before the service is rendered. The established payment is made regardless of the cost of the service and there is no cost settlement. Both the State and the provider know what was spent and what revenue was received on a current basis.

As a strong foundation to a prospective rate/resource allocation payment system, the Supports Intensity Scale (SIS) assessment tool would be recommended to replace the Progress Assessment Review (PAR) tool.

The project would replace the existing cost-based system with prospective rates for services established on a state-wide basis using an independent rate-setting process and a resource allocation model. A contract would be set up to establish a dedicated team of SIS assessors who would receive thorough training on doing the SIS interviews and scoring the tool and perform the initial SIS assessments for the adults and children to be served by the providers included in the project. The SIS scores would also need to be incorporated into the State's DD Division IT systems and MMIS. In order to eliminate the need to operate two systems, the fiscal impact assumes sampling 100% of the clients in the 2011 - 2013 biennium.

Additional consulting resources are needed as well for development of prospective rates and the resource allocation

model tying funding to assessed needs of clients.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The other funds revenue is a result of the additional Medicaid funding the state will be able to access.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The fiscal impact is for the Department to enter into a contract or contracts with a rate-setting consultant, contract for a team of SIS assessors and for IT Transition costs. For the 2011-2013 biennium, there is a total cost of \$3,746,000.

For the 2013-2015 biennium, there is a total cost of \$783,069.

The cost estimate is based on revised amounts from Burns and Associates.

The cost is shared equally between federal and state dollars.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The funding needed for the Department to implement the project is not included in the Executive Budget; therefore the Department would need an appropriation of \$3,746,000 of which \$1,873,000 would be general fund and \$1,873,000 would be federal funds for the 2011-2013 biennium.

For the 2013-2015 biennium, the Department would need an appropriation of \$783,069 of which \$391,535 would be general fund and \$391,534 would be federal funds.

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