

FISCAL NOTE
Requested by Legislative Council
03/14/2019

Amendment to: SB 2106

- 1 A. **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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(2,277,887)		\$(5,089,071)
Expenditures				\$(2,277,887)		\$(5,089,071)
Appropriations				\$(2,277,887)		\$(5,089,071)

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties			
Cities			
School Districts			
Townships			

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

SB 2106 is a complete update to NDCC 50-29 and proposes to operate the Children's Health Insurance Program (CHIP) as a Fee for Service model that is administered by the Department. The transition to DHS administration would be effective January 1, 2020.

- 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.*

The changes proposed in Section 4 are estimated to save (\$6,057,139), of which (\$1,889,626) are general fund. The savings are estimated for 18 months and result from use of the Traditional Medicaid fee schedule and from simplifying and aligning administrative functions with the Medicaid program. The administrative savings include the reduction of a 0.5 FTE that will no longer be needed. Due to the passage of the HEALTHY Kids Act in 2018, the State savings are offset by the decreasing Children's Health Insurance Program (CHIP) federal match rate.

For the 2021 - 2023 biennium the total savings from this change are estimated at (\$8,076,185), of which (\$1,493,557) are general funds. Due to the passage of the HEALTHY Kids Act in 2018, the State savings are offset by the decreasing Children's Health Insurance Program (CHIP) federal match rate.

Section 8 requires the Department to increase the Medicaid reimbursement rates to providers an equal amount to the savings, which would require an increase in Medicaid expenditures that would offset the estimated savings from transitioning administration from managed care to fee for service. When compared to Engrossed SB 2012, for the 2019 – 2021 biennium the Department would see additional revenue in other funds of \$1,889,626. By increasing the reimbursement rates to providers, the Department would expect an increase in expenditures and would need an appropriation of \$3,779,252, of which \$1,889,626 would be general fund.

For the 2021 – 2023 biennium the Department would see additional revenue in other funds of \$1,493,557. An increase in expenditure and appropriation of \$2,987,114, of which \$1,493,557 would be general fund.

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.*

Section 4 services provided under SB 2106 are eligible for federal funds from the Children's Health Insurance Program (CHIP). Federal fund savings of (\$4,167,513) are expected for the 2019-21 biennium.

For the 2021-23 biennium there is an estimated savings of (\$6,582,628).

Section 8 requires the department to use savings generated from operating CHIP as fee for service to increase Medicaid reimbursement rates to providers. Medicaid services are eligible to receive matching Medicaid federal funds based on the Federal Medical Assistance Percentage. The Department projects revenue for the 2019 – 2021 biennium to be \$1,889,626.

For the 2021-23 biennium the Department projects revenue of \$1,493,557.

- 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 changes proposed in Section 4 are estimated to save (\$6,057,139), of which (\$1,889,626) are general fund. The savings are estimated for 18 months and result from use of the Traditional Medicaid fee schedule and from simplifying and aligning administrative functions with the Medicaid program. The administrative savings include the reduction of a 0.5 FTE that will no longer be needed. Due to the passage of the HEALTHY Kids Act in 2018, the State savings are offset by the decreasing Children's Health Insurance Program (CHIP) federal match rate.

For the 2021 - 2023 biennium the total savings from this change are estimated at (\$8,076,185), of which (\$1,493,557) are general funds. Due to the passage of the HEALTHY Kids Act in 2018, the State savings are offset by the decreasing Children's Health Insurance Program (CHIP) federal match rate.

Section 8 requires the Department to increase the Medicaid reimbursement rates to providers an equal amount to the savings, which would require an increase in Medicaid expenditures that would offset the estimated savings from transitioning administration from managed care to fee for service. When compared to Engrossed SB 2012, for the 2019 – 2021 biennium the Department would see additional revenue in other funds of \$1,889,626. By increasing the reimbursement rates to providers, the Department would expect an increase in expenditures and would need an appropriation of \$3,779,252, of which \$1,889,626 would be general fund.

For the 2021 – 2023 biennium the Department would see additional revenue in other funds of \$1,493,557. An increase in expenditure and appropriation of \$2,987,114, of which \$1,493,557 would be general fund.

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

For the 2019-21 biennium the net impact to the Grants Medical Assistance line due to the reinvestment of savings from the CHIP savings is an estimated savings of (\$2,277,887) all of which are other funds.

For the 2021-23 biennium there is an estimated savings of (\$5,089,071) all of which are other funds.

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