

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H612/S554

SHORT TITLE: Area MH/Managed Care

SPONSOR(S): Rep. Alexander/Sen. Daniel

FISCAL IMPACT: **Expenditures:** **Increase ()** **Decrease (x)**
 Revenues: **Increase ()** **Decrease ()**
 No Impact ()
 No Estimate Available ()

FUND AFFECTED: **General Fund (x)** **Highway Fund ()** **Local Fund ()**
 Other Fund ()

BILL SUMMARY: Technically, this bill amends GS. 58-50-50 to exclude prepaid health service or capitation arrangements implemented or administered by the Department of Human Resources from the definition of "preferred provider"; amends GS 58-67-10(b) to delete the same from coverage under the Health Maintenance Organization Act; and amends GS 143-48 to exempt same from coverage of specified state purchase and contract statutes.

In practice, this bill clarifies the authority of DHR to implement and administer capitation and prepaid health plan service arrangements as part of the Medicaid program. Federal authority for such arrangements already exists.

The bill facilitates the Department of Human Resources's development of the Carolina Alternatives program under a federal waiver (1915(b)). The program is a managed care mental health program for Medicaid eligible children under the age of 18 years. It will be implemented in 11 area mental health agencies serving 33 counties.

EFFECTIVE DATE: Bill: July 1, 1993. Program to be implemented January 1, 1994.

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED: Department of Human Resources Division of Mental Health Developmental Disabilities and Substance Abuse Services and the Division of Medical Assistance.

FISCAL IMPACT

	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	93-94	94-95	95-96*	96-97*	97-98*
TOTAL SAVINGS	\$862,536	1,855,459	1,855,459	1,855,459	1,855,459
STATE FUNDS	\$253,413	545,134	545,134	545,134	545,134

FEDERAL FUNDS	\$564,403	1,214,126	1,214,126	1,214,126	1,215,126
LOCAL FUNDS	44,719	96,199	96,199	96,199	96,199

*Savings estimates for years beyond FY 94-95 can not be more accurately forecasted until the Division has experience with the program's actual cost effectiveness.

POSITIONS:

ASSUMPTIONS AND METHODOLOGY: Savings estimate assumes 5% reduction in the rate of growth for inpatient spending. First year savings estimates are forecasted for 6 months only. To forecast savings for the years beyond FY 94-95, the Division will need additional data based on program experience in FY 93-94 and FY 94-95.

SOURCES OF DATA: Department of Human Resources Division of Medical Assistance. April 19, 1993.

TECHNICAL CONSIDERATIONS:

Authority for a 1915(b) waiver is found in 42CFR 431.55. To administer a waiver program, the Division of Medical Assistance must document in the waiver request "the cost effectiveness" of the project. In addition, the state must maintain data over the life of the waiver that demonstrates the actual reductions in spending, or reduction in rate of spending growth that has occurred for the population served by the waiver.

FISCAL RESEARCH DIVISION

733-4910

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DATE:

[FRD#002]



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