

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** Senate Bill 413  
(= HB 358)  
**SHORT TITLE:** Ob-Gyn Access/Medicaid Recipients  
**SPONSOR(S):** Senator Kinnaird

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 1997-98</u></b>	<b><u>FY 1998-99</u></b>	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>
<b>EXPENDITURES:</b>					
<b>Total Requirements</b>	<b><u>\$2,949,375</u></b>	<b><u>\$5,148,000</u></b>	<b><u>\$7,436,000</u></b>	<b><u>\$8,179,600</u></b>	<b><u>\$8,997,560</u></b>
<b>Federal Funds</b>	<b>1,878,457</b>	<b>3,240,666</b>	<b>4,619,243</b>	<b>5,017,367</b>	<b>5,449,822</b>
<b>State Funds</b>	<b>910,177</b>	<b>1,621,105</b>	<b>2,394,392</b>	<b>2,687,817</b>	<b>3,015,982</b>
<b>County Funds</b>	<b>160,741</b>	<b>286,229</b>	<b>422,365</b>	<b>474,417</b>	<b>531,756</b>
<b>POSITIONS:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b>					
Department of Human Resources					
Division of Medical Assistance					
County Governments					
<b>EFFECTIVE DATE:</b>	<b>October 1, 1997</b>				

**BILL SUMMARY:** This legislation directs the Department of Human Resources to provide Medicaid recipients with direct access, without prior referral, to the health care services of a participating obstetrician-gynecologist and to provide written notice to Medicaid recipients of this requirement.

## ASSUMPTIONS AND METHODOLOGY:

### A. Background

#### 1. General

The Medicaid program currently provides services through three different service delivery systems. The delivery systems are Carolina Access (46 counties), Health Care Connection (Mecklenburg County), and regular fee-for-service (53 counties). The proposed legislation will impact recipients who participate in Carolina Access and the recipients participating in Health Care Connection in Mecklenburg County. The legislation will have no impact on recipients living in fee-for-service counties until these counties are phased into the Carolina Access system.

#### 2. Carolina Access

The Carolina Access program is a managed care system which coordinates health care by linking eligible recipients with a primary care provider who has agreed to serve as a gatekeeper and to provide or arrange for health care services. The purpose of the program is to improve access to primary care by promoting a continuity of care while helping to reduce inappropriate utilization and controlling costs. Participation in Carolina Access is mandatory for all Medicaid eligible recipients except for special pregnant women coverage is excluded. The program is currently serving over 295,000 recipients in 46 counties. The Division of Medical Assistance intends to expand the Carolina Access program to the remaining 53 counties during the 1997-99 Biennium.

Carolina Access requires that a recipient go through their primary care physician to receive all medical care. If a recipient goes to another physician or the emergency room without receiving their primary care provider's permission, the Division of Medical Assistance will deny the claim for service and not pay the bill. The primary care provider's permission can be given retroactively, if the provider determines the service was needed.

The proposed legislation will have an impact on Medicaid expenditures because it will allow recipients participating in Carolina Access to receive health care services from an obstetrician-gynecologists without prior approval from their primary care provider. During the 1995-96 fiscal year, \$4,000,000 in claims from obstetricians-gynecologists were denied in Carolina Access counties because the visits were not authorized by their primary care provider. The Division of Medical Assistance has determined that \$1,400,000 of these claims were resubmitted and paid which means that the Division of Medical Assistance declined payment on \$2,600,000 in unauthorized visits to obstetricians-gynecologists during the 1995-96 fiscal year.

#### 3. Health Care Connection

The Health Care Connection Program is a pre-paid capitated risk contract with a group of Health Maintenance Organizations (HMO)s to provide a comprehensive range of medical and other services to Medicaid recipients residing in Mecklenburg County. Enrollment in Health Care Connections is mandatory for AFDC recipients, children, and pregnant women; elderly and disabled recipients are excluded. Current enrollment is 24,134 of the 35,913 eligible. The Division of Medical Assistance intends that all recipients who are eligible will be enrolled by the end of the fiscal year (the program began in July 1996).

that Under current law which was established last year, women who are participating in an HMO may visit an obstetrician-gynecologists who is in the HMO provider network without referral from their primary care physicians. Medicaid women who are enrolled in Health Care Connection are already covered by this law. Since the proposed legislation does not speak only to Carolina Access and does not indicate Medicaid eligible women enrolled in HMO's are governed by HMO law, it will allow Medicaid women enrolled in HMOs to go to obstetricians-gynecologists outside the HMO network. The current contract that the Division of Medical Assistance has with the HMOs in Mecklenburg follows the current HMO law for women visiting an obstetrician-gynecologist and does not allow women to go outside the HMO network. **If the proposed legislation is passed in its current form, the Division of Medical Assistance would have to revise its contract with the HMOs and adjust the capitated rates accordingly. The fiscal impact of this change cannot be estimated at this time, and is not included in this fiscal note.**

B. Assumptions

1. This fiscal note assumes that Medicaid expenditures will increase under the proposed legislation because claims for unauthorized obstetrician-gynecologist visits will have to be paid for Medicaid recipients enrolled in the Carolina Access program.
2. This fiscal note assumes that Medicaid expenditure will increase 10% each year.
3. This fiscal note assumes that 50% of the 53 counties not participating in Carolina Access will be added by the end of 1997-98 and the remaining counties will be added

by the end of 1998-99. This fiscal note also assumes that expenditures related to the proposed legislation (using projected expenditures for 1996-97 as the base year) will increase by 25% in 1997-98, 50% in 1998-99, and double in 1999-00 to reflect the addition of the 53 counties to the Carolina Access program.

4. This fiscal note assumes that the Federal Financial Participation Rate will decrease by 1.2% each year and the state and county shares of Medicaid will increase to absorb the decrease in federal revenues. The following participation rates were used in this fiscal note.

	<u>Federal</u>	<u>State</u>	<u>County</u>
<b>1997-98</b>	63.69%	30.86%	5.45%
<b>1998-99</b>	62.95%	31.49%	5.56%
<b>1999-00</b>	62.12%	32.20%	5.68%
<b>2000-01</b>	61.34%	32.86%	5.80%
<b>2001-02</b>	60.57%	33.52%	5.91%

5. This fiscal note adjusts the 1997-98 expenditures to reflect an October 1, 1997 effective date. All other fiscal years assume 12 months of expenditures.

C. Methodology

The estimated fiscal impact for the proposed legislation was derived by using the \$2,600,000 estimate of denied claims for 1995-96. The \$2,600,000 for 1995-96 was increased by 10% each subsequent year through 20001-02 to determine the Medicaid expenditures that would be paid under the proposed legislation. The 1997-98 fiscal year was adjusted to reflect nine-months of expenditures. Fiscal years 1997-98, 1998-99, and 1999-00 reflect the adjustments stated in assumption number 3. Then the participation rates described in the assumptions were used to determine the federal, state, and county shares for the increased Medicaid expenditures.

**TECHNICAL CONSIDERATIONS:**

Since the proposed legislation does not speak only to Carolina Access and does not indicate that Medicaid eligible women enrolled in HMO's are governed by HMO law, it will allow Medicaid women enrolled in HMOs to go to obstetricians-gynecologists outside the HMO network. If the proposed legislation intends that Medicaid recipients who are enrolled in HMOs will be covered under HMO laws, then that intent needs to be clarified.

**FISCAL RESEARCH DIVISION  
733-4910**

**PREPARED BY:** L. Carol Shaw

**APPROVED BY:** Thomas L. CovingtonTomC

**DATE:** 04/17/97



**Signed Copy Located in the NCGA Principal Clerk's Offices**