

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1724

SPONSOR: Committee on Children and Families and Senator Klein

SUBJECT: Children and Families

DATE: April 17, 2001                      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Barnes</u>	<u>Whiddon</u>	<u>CF</u>	<u>Favorable/CS</u>
2.	<u>Liem</u>	<u>Wilson</u>	<u>HC</u>	<u>Favorable</u>
3.	<u>Peters</u>	<u>Belcher</u>	<u>AHS</u>	<u>Favorable</u>
4.	_____	_____	<u>AP</u>	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

Committee Substitute for Senate Bill 1724 authorizes the use of local public funds as certified state matching funds for Medicaid under Title XIX of the Social Security Act for children and families served under Title IV-E of the Social Security Act in order to maximize federal funding for these services, under certain conditions. The bill states that it is the intent of the Legislature that this provision be revenue-neutral with respect to state funds.

The bill creates section 409.9072 of the Florida Statutes.

**II. Present Situation:**

Federal regulations (42 CFR 433 Subpart B) provide standards for state use of various types of funds (donated funds, public funds, or provider funds) that may be considered as the state's share in claiming federal financial participation. These provisions specify that the state may claim federal match when public funds are appropriated directly to the state Medicaid agency, or transferred from other public agencies to the state agency and under its administrative control, or certified by the contributing public agency as representing expenditures eligible for federal financial participation. The public funds must be bona fide donations (have no relationship to direct or indirect provider payments) may not be federal funds or, if they are, must be federal funds authorized by federal law to be used to match other federal funds.

The state Medicaid program ordinarily pays for services at a fixed price per service with approximately 56 percent of that cost being federal funds matched by 44 percent state funds. In the instance of providers who are agencies of state government, 42 CFR 433.51 permits the Medicaid program to pay just 56 percent of the cost of a service (i.e., the federal share), and then permits the provider/agency to certify that the other 44 percent of the payment has been provided

(or matched) by state funds - without depositing those funds in a Medicaid account. This arrangement is frequently referred to as a “certified match” program.

There are local entities in Florida currently funded with local public funds that provide services to Medicaid eligible and Title IV-E eligible children and their families. These entities could increase federal financial participation in providing Medicaid and Title IV-E services by certifying the local public funds as state match.

Section 409.26731, F.S., (ch. 97-260, L.O.F.) currently authorizes the Department of Children and Family Services (department) to certify local funds as state match for eligible Title IV-E child welfare expenditures in excess of the amount of state general revenue matching funds appropriated in the General Appropriations Act. Except for up to five percent of earnings that the department is allowed to retain for administrative purposes, all federal Title IV-E funds that are earned for the fiscal year as a result of using certified local match must be passed on to the local entity that provided the match. The department reports that since May, 1998, the counties that have participated in this reimbursement include: Palm Beach, Pinellas, Osceola, Sarasota, and Broward. A total of \$1,869,000 in federal funds under Title IV-E has been earned by these counties as a result of certifying local funds. The department reports that Orange, Dade, Brevard, and Manatee counties are in the process of setting up the administrative structure to initiate this reimbursement process.

### **III. Effect of Proposed Changes:**

CS/SB 1724 specifies that the Legislature intends to utilize local funding for Medicaid under Title XIX of the Social Security Act for children and families served under Title IV-E of the Social Security Act to the fullest extent possible in order to maximize federal funding for these services. The bill states that it is the intent of the Legislature that these provisions be revenue-neutral with respect to state funds.

The bill creates s. 409.9072, F.S., requiring the Agency for Health Care Administration (agency) to develop mechanisms to allow for certification of local match funds for covered Medicaid services under Title XIX of the Social Security Act for children and families served under Title IV-E of the Social Security Act. The certification of match would apply only to services provided to children and their families who are eligible for services under the Medicaid program. The bill specifies that any federal Medicaid reimbursement received as a result of local matched funds must be returned to the local entity that provided those funds.

The bill requires local projects to have prior approval by the Department of Children and Family Services and the agency in order to participate in the certification of match effort. The bill states that a participating project must demonstrate that it has the clinical and administrative capability to provide Medicaid covered services and must agree to the following:

- To be responsible for checking with the state Medicaid office to verify that children and their families are eligible at the time services are provided.
- To develop and maintain financial records to document the appropriate use of state and federal funds.

- To comply with all state and federal laws, rules, regulations, and policies regulating Medicaid services.
- To be responsible for reimbursing the cost of any disallowance of federal funding resulting from the failure of the local project to comply with state or federal Medicaid laws, rules, or regulations.

The agency must work with the local projects to modify the Medicaid state plan and in cooperation with the Department of Children and Family Services, must seek and implement any federal waivers needed to ensure that all Medicaid services are available to clients of these projects.

The bill permits these projects to receive Medicaid reimbursement for services on either a fee-for-service or a capitation basis. The agency must approve all capitation methodologies and standards of care developed by the department. The agency will develop provisions for monitoring service delivery ensuring that appropriate provider networks comply with s. 409.906, F.S., and the analysis of administrative and service cost ratios.

The bill states that projects that operate on a fee-for-service basis may assign a qualified organization to serve as a gatekeeper to be responsible for the authorization of all services for children enrolled in the project. The agency must develop quality-of-care standards for the providers who deliver services.

The bill authorizes the department and the agency to adopt rules consistent with ch. 120, F.S., to implement the provisions in CS/SB 1724.

The bill requires the department and the agency to prepare a report to the Legislature no later than January 1 of each year documenting the specific activities undertaken during the previous fiscal year.

The effective date of the bill is July 1, 2001.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

The provisions of this bill have no impact on municipalities and the counties under the requirements of Art. VII, s. 18 of the Florida Constitution.

##### **B. Public Records/Open Meetings Issues:**

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Art. I, s. 24(a) and (b) of the Florida Constitution.

##### **C. Trust Funds Restrictions:**

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Art. III, s. 19(f) of the Florida Constitution.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

Participating entities may incur some costs for the development and implementation of the certified match program. For example, there could be additional recurring costs associated with record keeping and billing.

**C. Government Sector Impact:**

CS/SB 1724 will enable qualified providers under the Medicaid program to use certified local funds in order to earn additional federal Title XIX funds.

There may be some costs incurred by local governments to implement the provisions of this bill.

The agency reports that if there is a significant increase in workload for agency staff to implement the provisions of this bill, additional agency staff may be needed.

**VI. Technical Deficiencies:**

The bill requires funds that are provided to the state as federal financial participation resulting from certified local match to be returned to the local entity that provided those funds. Under a certified match arrangement, only the federal share is paid to a provider, making this provision unnecessary. In addition, since the bill does not specify which Medicaid services are to be provided or a particular provider type that is eligible to negotiate the certified match system, there is the potential that when medical and other state plan services are provided (services for which state General Revenue has already been appropriated) local governments may displace available state funding with local funds.

**VII. Related Issues:**

The bill does not specify the types of entities that will be allowed to participate or the services, that may be reimbursed in the certified match arrangement. Due to the complex nature of the federal regulations that pertain to sources of matching funds for Medicaid, the Agency for Health Care Administration and the Department of Children and Family Services will be required to carefully evaluate each source of local funds to assure compliance with federal standards.

**VIII. Amendments:**

None.