Testimony
Senate Bill 2412 – Department of Human Services
Senate Finance and Taxation Committee
Senator Urlacher, Chairman
January 29, 2007

Chairman Urlacher, members of the Finance and Taxation Committee, I am Maggie Anderson, Director of Medical Services for the Department of Human Services. I appear before you to provide information on the fiscal note of this bill. Please note: the Department had to make several assumptions in the preparation of the fiscal note. If any of our assumptions are incorrect, the Department would be willing to modify the fiscal note, as necessary.

Section 1, Lines 6 and 7 of this bill direct the Department of Human Services to implement a health insurance program for children. Lines 7-9 (Section 1) indicate that the program should be coordinated with the existing Medicaid and State Children's Health Insurance Program (Healthy Steps). The assumption made was the program would be coordinated with existing programs, but would not expand existing programs. In other words, the bill does not appear to propose expanding the eligibility limits for Medicaid or Healthy Steps; therefore, **no federal match** was used in the financial projections.

Section 1, Lines 11-14 identify that the program must be available to all children, under 18 who reside in families with income up to 300% of poverty. Furthermore, Lines 14-16 identify that the program must be available to pregnant women in families with income up to 200% of the federal poverty level. The bill did not specify an age for pregnant women; therefore, the Department prepared an estimate, based on North

Dakota resident pregnancies, subtracting those already covered by Medicaid, and then applying an uninsured rate.

Item 3, Section 1 describes the services that must be included in the coverage. The Medicaid program has more services (see Attachment A) than those mandated by this bill; however, the Department would need clarification as to whether this is an all-inclusive list or minimums. This is important for two reasons: (1) the average cost per month, per child used for the fiscal note calculation is $110.94, based on current Medicaid utilization for children (not counting children with an institutional living arrangement). This average cost per child per month would decline if the list in Item 3 is all-inclusive. (2) providing a package other than the Medicaid services, would require **significant** changes to the Departments' claims payment system, Medicaid Management Information System (MMIS). You may know, 2007 Senate Bill number 2024, would authorize the Department to move forward with the replacement of the current MMIS. If Senate Bill 2412 proposes to provide fee-for-service coverage for a package of services different from Medicaid, the Department would be unable to implement this change prior to the roll-out of the new MMIS, which is slated for July 2009. The assumption for preparation of the fiscal note was there would be minimal changes to MMIS. The computer system changes included in the fiscal note are an estimate of the cost of needed system changes to Vision, which is the eligibility system used by the Department for determining and managing recipient eligibility. The estimate is based on actual costs incurred by the Department when Healthy Steps was added to the Vision system (May 2004 through June 2005). Also, it is the actual work effort for this previous project that was used to calculate this program only being operational for 12-months of the biennium. At a **minimum**, it will take

12-months to design and test the necessary changes to the Vision system.

The proposed bill does not mention premiums, deductibles or other payments to be made by the individuals potentially covered under the proposed bill. Therefore, there were no offsets used in this bill for the collection of premiums, deductibles, etc.

Finally, a program of this magnitude would require additional staff to develop program guidelines and policies, to train eligibility workers, to oversee system changes, and to process applications submitted. It is estimated the Department would need three Full-Time Equivalents (FTE) for this purpose. One FTE would be responsible for managing the program and the other two FTE would process applications submitted directly to the State Office. The program manager would be needed immediately; however the eligibility staff positions could be hired at the time of program implementation. In addition, there would be an increase of expenditures at the county level, for processing applications submitted directly to the county offices.

The fiscal note was built based on the Department's understanding of Section 1 of the bill as detailed above, and is summarized in Attachment B. While the proposed bill calls for funding to come from the Permanent Oil Tax Trust Fund, the Department is estimating the funds will not be available for this program until some time in 2008; therefore, the first year of the salary for the program manager and the computer system changes are projected with general funds. Once the special funds become available, the general funds would be replaced.

One suggested amendment the Department would have for Senate Bill number 2412 is the addition of a policy on Crowd Out. According to the Agency for Health Care Research and Quality of the US Department of Health and Human Services, **Crowd Out** is:

A phenomenon whereby new public programs or expansions of existing public programs designed to extend coverage to the uninsured prompt some privately insured persons to drop their private coverage and take advantage of the expanded public subsidy.

Crowd-out also occurs when such programs act as an incentive for employers to contribute fewer dollars to employees' health insurance coverage, or altogether drop coverage in an effort to prompt employees to enroll their children in the new program.

Crowd-out is a concern of both State and Federal programs because it may create shifts in coverage from private to public insurance rather than decreasing the number of uninsured children, leading to:

- *Fewer improvements in access to care and health status than expected.*
- *Greater increases in public expenditures than expected.*
- *The program being less cost effective than expected.*

For your reference, I have attached an additional chart (Attachment C) which describes the income guidelines for the current Medicaid and SCHIP coverage, as well as a column for proposed 2007 Senate Bill 2326.

I would be happy to address any questions that you may have.