Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **H. B. 564** DATE: **October 21, 1997**

STATUS: **As Introduced** SPONSOR: **Rep. Verich**

LOCAL IMPACT STATEMENT REQUIRED: **No — Permissive**

CONTENTS: **Establishes the Ohio Medicaid Outreach Program**

State Fiscal Highlights

STATE FUND	**FY 1998**	**FY 1999**	**FUTURE YEARS**
General Revenue Fund			
Revenues	- 0 -	Potential gain of $5-$7.5 million	Potential gain of $5-$7.5 million
Expenditures	- 0 -	- 0 -	- 0 -

- The GRF will gain approximately $5 million from HUM 5 percent withholding on reimbursed amounts.

Local Fiscal Highlights

LOCAL GOVERNMENT	**FY 1998**	**FY 1999**	**FUTURE YEARS**
School Districts			
Revenues	- 0 -	Potential gain of $79.7-$127.2 million	Potential gain of $79.7-$127.2 million
Expenditures	- 0 -	- 0 -	- 0 -

- School districts could generate substantial amounts of federal reimbursement through the outreach program.

Detailed Fiscal Analysis

The bill establishes the Ohio Medicaid Outreach Program for the purpose of reimbursing schools for locating, identifying and referring students who have or are at risk of developing educational or health related problems. Services provided include physical therapy, nursing, occupational therapy, psychology, speech therapy and audiology, social work, and counseling services as well as transportation costs (if the child received covered services that day). The goal of the outreach program is to seek federal reimbursement of local expenditures in performing under the Early Periodic Screening, Diagnosis and Treatment (EPSDT).

Under the bill, any child in a school setting is eligible (including children currently eligible for Medicaid through ADC and Health Start) to receive the above services prior to or in conjunction with the development of an individualized education program.

Effects of the bill

The potential revenue gain to school districts in Ohio is estimated at $100-$150 million. The method of estimation involves a complicated formula developed through time studies to determine allocation of time spent on Medicaid reimbursable expenses, and a through knowledge of school district expenses by activity cost center. Both of these are very important aspects of the estimation process, and are presently not available to LBO for us to attempt an independent estimate of the potential revenue gain. In addition, the formula is adjusted for children currently eligible for Medicaid. In a 1994 time study in the Chicago Public School System, a component of the formula was adjusted down by 65 percent to eliminate double counting of services. While by comparison 29 percent of Ohio's children under 18 years of age received Medicaid services in 1995, we note this kind of adjustment to highlight the point, that, until actual time studies are done in Ohio, and independent estimates can be developed, we can at best only confirm the revenue gains as a potential, based on the experiences of states like Illinois and Michigan. Anecdotal information indicates that Michigan and Illinois generate $90 million and $80 million per year respectively. According to information obtained from the National Center for Policy Analysis, the Chicago school system generates $28 million per year from the outreach reimbursement program, and a spokesperson for the Wayne County, Michigan (Detroit area) schools indicated that the county currently receives about $4 million per quarter in outreach reimbursements.

While the potential revenue gains for Ohio school districts seem plausible based on other states experiences, LBO cannot readily discern if these states have programs similar to Ohio's Community Alternative Funding System (CAFS) administered by the Department of Mental Retardation and Developmental Disabilities. CAFS provides federal reimbursement for medical and support services provided to Medicaid eligible children with mental retardation and other developmental disabilities in school settings. Hence, LBO will adjust revenue estimates down by $15.3 million, reflecting Medicaid reimbursements made to schools generated by CAFS in FY 1997. In addition, ORC 5101.11(D)(3) permits the Department of Human Services to retain up to 5 percent of the amount of federal financial participation to be distributed, generating $5-$7.5 million for the GRF. The resultant revenue gain to school districts is thus $79.7-$127.2 million.

Given the size of the potential revenue gain, and the fact that the program is cost based, two points of caution are worth noting. (1) Time studies are difficult to evaluate and thus pose the potential for risk in the face of an audit by the Health Care Financing Administration (HCFA). In addition, school districts will be required by HCFA to maintain statistical information that requires extensive data gathering. (2) A major question comes to mind despite HCFA's current position of allowing reimbursement claims, what will HCFA do in the future when large states like Ohio are fully on stream, claiming $100-$200 million per year? Our guess is that the allowance will be short lived. On the other hand, if Medicaid Block grants ever become a reality, states that have captured this revenue stream may have it built into their base.

❑ *LBO staff: Ogbe O. Aideyman, Economist/ Budget Analyst*

H:\FN122\HB564IN.DOC