

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6116

BILL NUMBER: SB 112

NOTE PREPARED: Feb 16, 2006

BILL AMENDED: Jan 19, 2006

SUBJECT: Transfer of First Steps Program.

FIRST AUTHOR: Sen. Riegsecker

FIRST SPONSOR: Rep. Ripley

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill creates the Bureau of Child Development Services within the Division of Disability, Aging, and Rehabilitative Services. The bill places the Infants and Toddlers with Disabilities Program (First Steps) under the Bureau of Child Development Services.

The bill reorganizes language regarding the copayment schedule and copayment requirements. It also specifies the health records to which the Division has access in administering First Steps. The bill requires families participating in First Steps to consent to allow the Division to bill third-party payors. The bill also makes conforming amendments, including a repeal of current provisions concerning First Steps. (The introduced version of this bill was prepared by the Commission on Mental Retardation and Developmental Disabilities.)

Effective Date: Upon passage.

Explanation of State Expenditures: *Summary:* This bill would allow the First Steps Program to require a family, participating in its program, to provide the program with access to all third-party health provider information. The program would then be able to bill the third-party health provider. This would result in an increase for the state in both state Medicaid drawdown and health provider reimbursement dollars. The bill would save the state between \$802,500 and \$1.3 M in expenditures annually.

Creation of the Bureau of Child Development Services: This bill creates the Bureau of Child Development Services (BCS) within the Division of Disability, Aging, and Rehabilitative Services (DDARS). The bill moves the First Steps Program from the Division of Family Resources (DFR) to DDARS. Additional staff and resources are not necessary for the creation of the BCS; no fiscal impact is anticipated for this provision of the

bill.

Third-Party Billing: The bill allows the program to require a family to provide the program with access to all third-party health provider (HP) information. The program is currently unable to require information to be provided. In addition, it is unable to bill an HP without a family's consent.

The program reports that the state is unable to bill Medicaid for reimbursement of services if an HP exists and billing is not attempted.

As proposed, the program would have the ability to bill all existing HPs, and, as a result, decrease expenditures for the state. The program would (1) increase Medicaid drawdown dollars and (2) receive additional HP reimbursement.

The program reports that Medicaid denies 10.05% of claims because services may have been covered by an HP per coordination of benefits. This represents \$1.6 M (20,902 claims) out of a total \$16.1 M (204,476 claims). The program estimates that due to rate and coverage limitations, it will receive 80% reimbursement on claims, or \$1.3 M.

Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. The percentage of the \$1.3 M in funds which would be reimbursed by Medicaid is unknown. If all services were reimbursed by Medicaid, the state would experience a total savings of \$802,541. However, this is a low-end estimate for savings. Actual savings are likely higher and are dependent on the total amount of dollars reimbursed by Medicaid or by an HP. Dollars reimbursed by an HP are reimbursed at 100%. The table below presents total savings for the state at various levels of reimbursement by Medicaid and HPs.

| Medicaid/HP Percent Reimbursement | Medicaid Dollars | HP Dollars | Total State Savings |
|--|-------------------------|-------------------|----------------------------|
| 100% Medicaid | \$802,542 | \$0 | \$802,542 |
| 75% Medicaid/25% HP | \$601,906 | \$323,606 | \$925,512 |
| 50% Medicaid/50% HP | \$401,271 | \$647,211 | \$1,048,482 |
| 25% Medicaid/75%HP | \$200,635 | \$970,817 | \$1,171,452 |
| 100% HP | \$0 | \$1,294,422 | \$1,294,422 |

Rule Adoption: The bill strikes language from current law which requires the program to adopt rules pertaining to a cost participation plan.

Background Information: In 1986 Congress passed P.L. 99-457 establishing the Part H Early Intervention Program within the Individuals with Disabilities Education Act (IDEA). IDEA was reauthorized in 1997. The Early Intervention Program is now known as Part C.

The program for infants and toddlers with disabilities is a capped federal grant program that assists states in operating a comprehensive statewide program of early intervention services for eligible children and their families.

Indiana's First Steps is a family-centered, coordinated system to serve children from birth to age three who have disabilities and/or who are developmentally vulnerable. The goal of the program is to provide high quality, early intervention services in order to reduce the incidence and severity of developmental delays and maximize the potential of children so that as adults they can function as contributing members of society.

In FY 2005, the program provided services to 19,432 children. The average cost per child was \$2,958. The program reports that approximately 50% of children served are Medicaid-eligible.

Explanation of State Revenues: See *Explanation of State Expenditures* regarding reimbursement through the Medicaid Program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration.

Local Agencies Affected:

Information Sources: Jerry Allen, First Steps, 232-7097; Dawn Downer, First Steps, 233-9559; Lora Miller, First Steps, 234-2250.

Fiscal Analyst: Sarah Brooks, 317-232-9559.