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 6684 **NOTE PREPARED:** Jan 2, 2011
BILL NUMBER: SB 510 **BILL AMENDED:**

SUBJECT: Medicaid Transportation Providers.

FIRST AUTHOR: Sen. Mishler **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State
DEDICATED
X **FEDERAL**

Summary of Legislation: This bill requires a for-profit, transportation provider that is a common carrier applying to enroll in the Medicaid program to file with the Office of Medicaid Policy and Planning (OMPP) a surety bond to be used for specified purposes.

Effective Date: July 1, 2011.

Explanation of State Expenditures: The bill would after July 1, 2011, require for-profit common carriers newly applying for Medicaid provider status to furnish with the application an authorized surety bond that would provide coverage for liability of at least $50,000. The bill provides that if a surety bond does not meet the specified requirements, OMPP may revoke or deny the provider's billing privileges. If a lapse or gap in bond coverage occurs, OMPP is required to revoke the provider's billing privileges. The bill provides that OMPP may not reimburse a Medicaid provider for services provided during the lapse or gap in coverage.

The level of resources required by FSSA and OMPP to implement the surety bond requirement for Medicaid providers is not known at this time although other providers are required to maintain surety bonds as a condition for providing Medicaid or Medicare services. Medicaid administrative expenditures are generally matched by 50% federal funds. Recoveries would be split between the federal and state Medicaid programs in the same percentage as the contested claim.

Explanation of State Revenues: By requiring surety bonds for Medicaid transportation providers, OMPP and the Attorney General's office could increase recoveries for overpayments and reimbursements made for fraudulent claims. The Attorney General's office has estimated that if the surety bond requirement had been in place during the last 5 years, the amount owed to the state would have been reduced by 20.7%, or

$476,465. Additionally, 50% of the fraud cases resolved could have been closed immediately, saving the cost of tracking and administering the settlements. The bill requires only new applicants provide the surety bond so recoveries may be somewhat less since existing providers would not be required to provide a bond. The Attorney General's office reported that for 2009, there were 240 Medicaid enrolled providers: 186 ambulatory common carriers, 41 non-ambulatory common carriers, and 15 taxis.

Surety Bond Background Information: The bill would require for-profit common carriers that apply for Medicaid provider status to furnish OMPP with an authorized surety bond before the provider can receive reimbursement. The Centers for Medicare and Medicaid Services (CMS) has estimated the average annual cost of a surety bond at 3% of its face value, or about $1,500 for a $50,000 bond. The Attorney General's office has estimated the cost to be about $300 annually. However, surety bond cost is generally related to individual factors relating to the bondholder's risk, such as credit rating, length of time in business, or prior adverse actions, so bond prices would vary depending on the buyer and the amount of the bond required. If a transportation Medicaid provider has had a criminal conviction, a civil judgement, or an exclusion action related to Medicaid provider services within the preceding 10 years, the bill requires an additional authorized surety bond as determined by OMPP.

State contracts with the managed care organizations (MCOs) currently require the organizations to provide a bond in the amount of $1 M. It is not known how many other contracted Medicaid providers are required to provide a bond as a term of the contract. Medicare regulations require certain other providers to furnish surety bonds for Medicare purposes; home health agencies are required to furnish surety bonds to Medicare and Medicaid.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Attorney General's Office; OMPP.

Local Agencies Affected:

Information Sources: Attorney General's Office, FSSA - MCO contracts, CMS State Medicaid letters, and CMS Press Releases.

Fiscal Analyst: Kathy Norris, 317-234-1360.