

**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chair, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: SEP 26 2007

SUBJECT: Fiscal Impact Statement (Revised): "Department of Health Care Finance Establishment Act of 2007"

REFERENCE: Bill Number 17-76

Conclusion

As the structure of the new department is initially contemplated, funds are sufficient in the FY 2008 budget and net additional costs of approximately \$1 million per year in FY 2009 – FY 2011 would need to be offset. In the event that the additional costs exceed the amount currently appropriated for this new department, the administration intends to offset the difference by eliminating costs in the Department of Health or the new department.

While the intent of the proposed legislation is to increase the efficiency and cost-effectiveness of the District's health care system, estimated savings, if any, cannot be quantified at this time.

Background

The proposed legislation would establish the Department of Health Care Finance (DHCF) as a separate cabinet-level agency subordinate to the Mayor, within the executive branch of the government of the District of Columbia. Under the proposed legislation, the Department would:

1. Administer the District Medicaid program, D.C. Health Care Alliance Program, and any other publicly funded health care insurance program;
2. Coordinate with the U.S. Department of Health and Human Services (HHS), Centers for Medicare and Medicaid Services (CMS) on all waivers, State Plan Amendments

- (SPA's), demonstration grants and other opportunities to maximize federal assistance and fulfill the purposes of the Department;
3. Coordinate with other District Government agencies to ensure effective and efficient use of Medicaid dollars, including proper and timely billing and claims processing;
 4. Cooperate with other District agencies to ensure coordinated health care access and delivery for publicly funded health care services;
 5. Collaborate with the District agency responsible for eligibility determination in monitoring enrollment and beneficiary outreach efforts;
 6. Engage providers, clients and the community in eligibility, access, quality of care, and reimbursement issues;
 7. Develop and maintain a comprehensive information technology infrastructure that accurately and efficiently processes claims, interfaces with other necessary public, private and non-profit information technology systems, and collects information to inform data analysis, trending, cost measurement, performance management, policy development and strategic planning;
 8. Develop a long term care infrastructure in cooperation with other District agencies;
 9. Promote cost-containment initiatives;
 10. Develop an annual budget for the Department to be submitted to the Council by the Mayor;
 11. Submit to Council, through the Mayor, Medicaid Waivers; Medicaid State Plan Amendments; and all necessary contracts, reprogrammings, grant modifications and other items requiring Council approval;
 12. For no more than one year, independent of the District of Columbia Office of Personnel, but consistent with Chapter 6 of Title I of the District of Columbia Official Code, serve as the temporary personnel authority for all employees of the Department; and
 13. For no more than one year, independent of the District of Columbia Office of Contracting and Procurement, exercise temporary procurement authority to carry out the purposed of the Department, including contracting and contract oversight.

The proposed legislation provides for the powers and duties of the Department's Director, Chief Financial Officer, and General Counsel. The proposed bill also provides for the functional organization of Department staff, supervisory personnel, and other resources.

No later than March 1, 2008, the Mayor would be required to provide the Council with a proposed transition plan, approved by the Chief Financial Officer. The proposed legislation outlines the requirements of transition plan, and states that the transition plan would be submitted to Council for a 45-day period of review, excluding Saturdays, Sundays, legal holidays, and days of Council recess.

No later than October 1, 2008, subject to the approval by the Council of the Mayor's proposed transition plan, the following would be transferred to the Department:

1. All real or personal property, leased or assigned to the Department of Health (DOH) on behalf of the Medical Assistance Administration (MAA) and the Health Care Safety Net

Administration (HCSNA), positions, assets, records and obligations, and all unexpended balances of appropriations, allocations, and other funds available or to be made available relating to those powers, duties, functions, and operations of DOH; and

2. Any other powers, duties, functions, operations, real or personal property, positions, assets, records and obligations, and all unexpended balances of appropriations, allocations, and other funds available within other District agencies identified in the transition plan.

Section 10 of the proposed legislation states that the act will be subject to appropriations.

Financial Plan Impact

As the structure of the new department is initially contemplated, funds are sufficient in the FY 2008 budget and net additional costs of approximately \$1 million per year in FY 2009 – FY 2011 would need to be offset. In the event that the additional costs exceed the amount currently appropriated for this new department, the administration intends to offset the difference by eliminating costs in the Department of Health or the new department.

The Office of the Chief Financial Officer (OCFO) estimates the following fiscal impacts of the proposed bill, based on Council action and a staffing structure for DHCF initially proposed by MAA and submitted to the OCFO:

- DOH would incur a net negative local impact of \$3.6 million over the FY 2008 through FY 2011 period as a result of losing Indirect Cost Recovery Funds (IDCR) from the U.S. Department of Health and Human Services (HHS), less the cost of 7 Full Time Employee's (FTE's), which would be transferred from DOH to DHCF. With the formation of the new DHCF, DOH would forgo this revenue because the new DHCF would handle all administrative and overhead functions of the Medicaid program and would thus accrue IDCR funds in lieu of DOH.
- The new DHCF would incur a net positive local impact of \$0.6 million over the FY 2008 through FY 2011 period as a result of accruing IDCR revenue, less the cost of supporting 12 new FTE's, 7 transferred FTE's (from DOH), and Non-Personnel Services (NPS).
- Council has allocated \$800,000 only in FY 2008 to establish DHCF, as per the Committee of the Whole Report for the FY 2008 Budget Request Act of 2007.

The estimated impact of the proposed staffing structure assumes an implementation at mid-year FY 2008.

This estimation does not take into account Section 7(7) of the proposed bill, which calls for the development and maintenance of a comprehensive information technology infrastructure. Funding for this measure is already included in the MAA budget and financial plan.

This estimation also does not take into account Section 7(13) of the proposed legislation, which would authorize DHCF to exercise temporary procurement authority for no more than one year. District departments now pay an assessment for the services of the Office of Contracting and Procurement (OCP). If the proposed bill is enacted, this amount would need to be recalculated, and the cost of providing this service within DHCF would need to be considered.

While the intent of the proposed legislation is to increase the efficiency and cost-effectiveness of the District's health care system, estimated savings, if any, cannot be quantified at this time.

Estimated Impact of the Proposed Staffing Structure *					
<i>(in Millions)</i>					
DOH Impact	FY 2008	FY 2009	FY 2010	FY 2011	4 Year Total
DOH Loss of IDCR	(\$0.85)	(\$1.75)	(\$1.80)	(\$1.86)	(\$6.26)
Less: Transfer of 7 FTEs	\$0.37	\$0.75	\$0.77	\$0.79	\$2.68
DOH Local Impact	(\$0.49)	(\$1.00)	(\$1.03)	(\$1.07)	(\$3.59)

DHCF Impact	FY 2008	FY 2009	FY 2010	FY 2011	4 Year Total
IDCR Revenue	\$0.87	\$1.79	\$1.84	\$1.90	\$6.40
Council Funding	\$0.80	-	-	-	\$0.80
Funding Required: 12 New FTE's	(\$0.51)	(\$1.05)	(\$1.08)	(\$1.11)	(\$3.75)
Funding Required: 7 Transferred FTE's	(\$0.37)	(\$0.75)	(\$0.77)	(\$0.79)	(\$2.68)
Funding Required: NPS Costs	(\$0.06)	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.18)
DHCF Local Impact	\$0.74	(\$0.05)	(\$0.05)	(\$0.04)	\$0.60

Combined Net Local Impact	FY 2008	FY 2009	FY 2010	FY 2011	4 Year Total
DOH/DHCF Local Impact	\$0.26	(\$1.05)	(\$1.08)	(\$1.11)	(\$2.99)

* Assumes implementation at mid-year FY 2008 and 3% annual inflation.