GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: **The Honorable Linda W. Cropp**
Chairman, Council of the District of Columbia

FROM: **Natwar M. Gandhi** [signature]
Chief Financial Officer

DATE: **June —4, 2004**

SUBJECT: **Fiscal Impact Statement: "Medicaid Managed Care Balanced Budget Act Resolution of 2004"**

REFERENCE: **Draft Resolution - No Number Available**

Conclusion

Funds are sufficient in the FY 2004 budget and the proposed FY 2005 through FY 2008 budget and financial plan to implement the proposed legislation. The legislation makes necessary regulatory changes in the District's Medicaid State Plan to comply with the federal Balanced Budget Act (BBA) of 1997, as amended. There is no fiscal impact as a result of this State Plan Amendment for FY 2004 through FY 2008.

Background

The primary purpose of the BBA, an extension of the Health Benefits Plan Members Bill of Rights Act of 1998 (Patient's Bill of Rights), is to enhance the overall quality of managed care services and to ensure that Medicaid HMOs provide better coordination of services.

Under the BBA, State agencies are required to develop and implement quality assessment and improvement strategies for managed care arrangements and to provide for external, independent review of managed care activities. In addition, State agencies are required to ensure continued access to care for beneficiaries with ongoing health care needs as they move through the managed care process, as well as identify enrollees with special health care needs and assess the quality and appropriateness of their care.

The BBA also requires managed care plans to provide recipients with comprehensive, easily understood information about the operation of those plans, including the names of all participating providers and their phone numbers and locations. Additionally, all enrollment materials must satisfy locally defined cultural competency standards and states must ensure materials are readily available and accessible.

The intent of the BBA is to increase patient protections generally, and specifically affect the business processes of plans participating in Medicaid managed care programs. The BBA adds increased protection for those enrolled in managed care arrangements against fraud and abuse by placing restrictions on marketing and authorizing sanctions for noncompliance. All managed care plans must have a system in place to address grievances and appeals. Grievances must be resolved within state established time limits and not exceed 90 days. The resolution of appeals must be resolved in accordance with medical needs, but not later than 30 days from the date of appeal or grievance.

Additionally, to help ensure that enrollees receive the emergency treatment they need, the BBA requires managed care plans to cover the cost of emergency health care services wherever and whenever the need for such services arise. Plans are prohibited from requiring prior approval for such services or requiring that consumer go only to approved facilities. Also, emergency services are based on a "prudent layperson" standard that requires payment in situations where the beneficiary reasonably assumes that he or she is in an emergency situation.

Financial Plan Impact

The proposed amendment to the District's Medicaid State Plan ensures compliance with the Balanced Budget Act of 1997 by clarifying policies and procedures relating to patient protections and the business processes of plans participating in Medicaid managed care programs. There is no fiscal impact as a result of this State Plan Amendment for FY 2004 through FY 2008.