

# SELECT COMMITTEE ON EFFICIENCY IN GOVERNMENT

## LCSC03: Pay-for-Performance Pilot Project

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### Background

The Select Committee on Efficiency in Government authorized the drafting of a bill to establish a pilot project to test a pay-for-performance model for Medicaid providers of children's mental health and foster care services. The bill draft requires the Department of Public Health and Human Services (DPHHS) and a task force to review issues related to developing a pay-for-performance model, requires DPHHS to collect and analyze data, and requires DPHHS to put a pilot project in place by June 30, 2017.

### Reason for the Recommendation

Stakeholders pointed to several reasons for proposing the pilot project, including the federal budget deficit and an interest by the federal government in targeting Medicaid payments to those services and treatments that have proven to be effective. They suggested that a pay-for-performance model would improve the quality of children's mental health services.

### Cost Considerations

The bill draft contains a \$50,000 appropriation to cover the costs of a task force for the biennium. Additional costs are difficult to estimate but may range from about \$40,000 to \$135,000 a year. Costs related to the bill draft would include the items outlined below.

**Task force meeting expenses:** The bill draft requires six meetings per year by a 14-member task force that includes four DPHHS employees. Non-agency members would be reimbursed for travel costs; legislative members would be paid for their time, as well. Current reimbursement rates for travel are \$83 plus tax per night for lodging in Helena, \$23 per day for meals, and 55.5 cents per mile for use of a personal car. Legislative pay is \$82.64 a day.

Task force reimbursement costs could be about \$21,000 per year. The figure assumes that the 10 non-DPHHS task force members would claim reimbursement for one night of lodging, four meals, and a 350-mile round trip for each meeting. It also assumes members will attend all meetings and that reimbursement rates will not increase in the next biennium.

Item	Amount	Unit Cost	Annual Cost
Lodging	60 nights	\$88.81	\$5,329
Breakfast	120 meals	\$5	\$600
Lunch	60 meals	\$6	\$360
Dinner	60 meals	\$12	\$720
Mileage	21,000	\$0.555	\$11,655
Legislative Pay	24 days	\$82.64	\$1,983
			<b>\$20,647</b>

There may be additional task force-related costs for meeting rooms, copies, phone calls, conference calls, and administrative support. The \$50,000 appropriation may adequately cover those costs.

**Public meeting cost:** The bill requires the task force to conduct at least one meeting with Medicaid providers and other interested parties to obtain public comment on the elements that should be included in a pay-for-performance model.

The cost of holding a public meeting could be approximately \$500 to \$1,500. If the meeting is held outside of Helena, there may be minimal costs of up to \$500 associated with renting a suitable meeting room. All task force members, including the four DPHHS members would be compensated for travel costs, resulting in up to another \$1,000 in costs.

**Data collection and analysis:** The bill draft requires DPHHS to collect and analyze pilot project data to evaluate the model's effectiveness and whether the model should be extended to other services, geographic areas, or populations. Estimating the cost of data collection and analysis is difficult without more detail on the extent of the data to be collected and the existing database and analysis capabilities of DPHHS. However, fiscal notes from past sessions for legislation that required data collection included the following items:

- *Personnel costs:* Agencies generally estimate that collecting and analyzing data will require a new part-time or full-time employee. In addition to pay and benefits, agencies factor in the costs of a computer, telephone line, and office space and equipment for the employee. The total cost depends on the employee's salary and scope of duties. Estimates have ranged from \$10,000 for a part-time contract employee who would simply collect data and enter it into a database to \$65,500 for a mechanical engineer to analyze energy efficiency data. Perhaps the most relevant fiscal note information comes from House Bill 399 in 2007. That bill required DPHHS to collect and analyze data related to provider rates, including data from other states. DPHHS estimated that a rate specialist would be hired at a cost of about \$59,000 a year. The agency estimated salary and benefits would total nearly \$49,000 and related office costs would be about \$10,000.
- *Database costs:* DPHHS may incur costs to acquire or create a database specific to the information being collected and the type of analysis to be done. Fiscal notes for similar bills show the costs could range from \$26,000 for modifying existing data repositories to \$72,600 for creating a new database and collecting data.

**Changes to administrative rules:** Reimbursement rates are currently set in administrative rule. The department routinely updates the rules to reflect changes based on the appropriation provided by the Legislature. If additional changes are needed for the pilot project, DPHHS may include those costs in a fiscal note. The Secretary of State's Office charges agencies \$50 per page to publish proposed and adopted rules. Agencies sometimes include in their fiscal notes the cost of attorney time devoted to administrative rule development, at \$90 per hour.

The cost of the rule changes would depend on the number of pages published and the amount of attorney time attributed to rule development.