COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4719-08
Bill No.: SCS for HS for HCS for HB 1566
Subject: Appropriations; Medicaid; Social Services Department
Type: Original
Date: April 14, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	$660,509 to $1,814,609	$3,877,861 to $5,031,961	$4,062,812 to $5,216,912
Total Estimated Net Effect on General Revenue Fund	**$660,509 to $1,814,609**	**$3,877,861 to $5,031,961**	**$4,062,812 to $5,216,912**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on All State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Federal*			
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**

*Federal Fund nets to $0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Attorney General (AGO)** assume that increasing the number of eligibility reviews and changing the asset limits would result in an increased number of appeals. The AGO assumes because it represents the Department of Social Services in defending agency decisions, it may need additional attorneys and support staff based on the number of appeals that might result. **Oversight** assumes the AGO could absorb the additional appeals or if appeals were more than anticipated, the AGO could seek additional resources through the appropriation process.

Officials from the **Department of Health and Senior Services (DOH)** state the fiscal impact on the DOH is unknown. **Oversight** assumes any cost can be absorbed.

Officials from the Department of Mental Health (DMH) state Section 208.147 would impose a co-pay on all Medicaid clients in accordance with applicable federal regulations. This section stipulates that DMS payment to the provider will not be decreased should they not be able to collect the full or partial co-pay from the recipient. Also, there is a requirement that DMS shall send a notice to the recipient requesting reimbursement for the co-payment made on the recipient's behalf.

ASSUMPTION (continued)

DMH originally estimated that 141,633 DMH clients would be subject to a co-pay resulting in $3,987,563 reduction of expenditures. Given the provisions of this bill that the provider will be able to bill for any uncollected co-pay, DMH assumes that this total would be reduced by at least 75%. This assumption is based upon the relatively large number of units of service provided to a DMH client in contrast to other health care services, which increases the cost sharing responsibilities for DMH clients. DMH assumes that a large number of DMH clients would be unable to meet this obligation. It will also be difficult to ascertain if a good faith effort has been made to collect the co-pay prior to billing the state agency. This change would then result in a reduction of unknown to $1,154,100+ GR and unknown to $1,836,572+ FED for DMH. Additionally, uncollected co-pays which are billed by the provider do not qualify for federal match.

DMH assumes that DMS will handle the notices to be sent to the recipient that requests payment of the co-pay. However, if the intent is for DMH to handle this responsibility, additional administrative costs would be incurred.

Officials from the **Department of Social Services - Family Support Division (FSD)** state this proposal would require the FSD to do reinvestigations on approximately 500,000 recipients annually or 42,000 per month. This proposal allows the review to be completed by a food stamp reinvestigation. FSD states approximately, 52% of Medicaid cases receive food stamps. Additionally, FSD already performs 23,000 reinvestigations per month. The FSD would need additional caseworkers and support staff to do the additional reinvestigations that are not already performed.

Monthly Reinvestigations	42,000
Amount already performed	23,000
Additional Reinvestigations	19,000

Amount Covered through Food Stamps	19,000
	x 52%
	9,880

Additional Reinvestigations net of Food Stamps	19,000
	- 9,880
	9,120

Based on current caseloads, the average caseworker can handle approximately 50 reinvestigations per month.

ASSUMPTION (continued)

9,120/50 = 182.4 Caseworkers per month (Rounded to 183)

Additionally, 18 supervisors would be needed based on a 10 to 1 standard and 50 clerical based on 4 professional staff to 1 clerical.

Oversight has, for fiscal note purposes only, changed the starting salary for FSD positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the following:

Section 208.147.
DMS states the proposed legislation requires all recipients of medical assistance to participate in cost-sharing activities, subject to the provisions of 42 U.S.C. Section 1396o. The proposal excludes pharmacy services, home health services, and in-home services from cost sharing. Also, MC+ for Kids recipients are not subject to this section's cost sharing provisions. The provider's payment will not be reduced if the provider, after making reasonable efforts to collect, is not able to collect the co-payment. Co-payments range from $.50 to $3.00 based on the Medicaid allowable cost for the service. Cost savings are expected to total $13,500,000 ($11,250,000 10 months for FY 05).

The bill also states the provider's payment will not be reduced because the recipient did not pay the co-pay. It is estimated the DMS will pay $13.5 million to providers for uncollected co-pays. Because federal funds will not be available for these payments, additional General Revenue will be needed - $6,879,375 in FY 05 (10 months), and $8,255,250 in FY 06 and FY 07.

Additional staff will be needed to work with recipients who do not pay their co-pays. The staff (3 Account Clerks II and one Accountant I) will oversee mailings, answer recipient and provider questions, set-up accounts receivables and collect co-payments. In addition to the staff, funding is needed for mailings ($54,000 annual) and system work ($1,304,444 - one time). DMS estimates staff will ultimately collect 3.5% of the non collected co-pays. This is based on prior years collections by the TPL unit. Collections are estimated to be 25% of the 3.5% in FY 05. Below is the fiscal impact of the cost sharing for FY 05. Negative numbers denote costs.

ASSUMPTION (continued)

	General Revenue	Federal	Total
Savings from Co-Payments	$4,370,625	$6,879,375	$11,250,000
Payments to Providers	($6,879,375)	0	($6,879,375)
Salaries & Benefits (4 staff)	($61,824)	($61,823)	($123,647)
Expense and equipment (Staff)	($28,265)	($28,265)	($123,647)
Expense - System Work	($652,22)	($652,222)	($1,304,444)
Expense - Mailing cost	($6,750)	($6,750)	($13,500)
Collections by Staff	$98,438	0	$98,438
Net Impact	($3,159,373)	$6,130,315	$2,970,942

Section 208.212.
When determining Medicaid eligibility, investments in annuities shall be limited under this bill. The annuities must be actuarially sound, provide equal or nearly equal payments for the duration of the device and excludes "balloon" style final payments, and provide the State secondary or contingent beneficiary status ensuring payment if the individual predeceases the duration of the annuity, in an amount equal to the Medicaid expenditure made by the state on the individual's behalf. Adding limits to annuities may prevent some individuals from becoming Medicaid eligible. It is estimated that 12 persons each year will not become Medicaid eligible. The projected cost savings is $220,301.

Oversight does not have the detail information necessary to recalculate the program costs and/or savings that would result from Section 208.147. Since **Oversight** cannot validate the DOS response, **Oversight** is presenting the cost/savings as provided by the DOS.

Oversight notes that the Department of Social Services (DOS) did not address the savings that would result from conducting annual income and eligibility verification reviews of recipients of Medicaid. **Oversight** assumes by performing these reviews, DOS will discover some recipients that are no longer eligible for Medicaid. A report by the Health and Human Services Office of Inspector General notes fraud and billing mistakes is declining but is at 6.3% in Fiscal year 2002. **Oversight** notes that deeming recipients ineligible is a different matter than fraud and billing mistakes, but in the absence of other data, will use this error rate.

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ASSUMPTION (continued)

In FY03, the number of Medicaid/MC+ eligibles was 923,971 which received $4,560,300,000 in services or $4,935 per recipient. DOS stated that they would perform 9,210 reivestigations per month or 109,440 annually as a result of this legislation. If 6.3 % of theses recipients were deemed ineligible after a verification review, the state would save $11,341,815 (109,440 x 6.3% x $4,935 x 40% state share x 10/12) and $17,012,722 federal (109,440 x 6.3% x $4,935 x 60% federal match x 10/12). Assuming the same error rates and after applying an inflation factor, the General Revenue portion would be $13,950,431 in FY 06 and $14,299,192 in FY 07.

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
Savings - Department of Social Services - Division of Medical Services			
Program savings - Section 208.212	$71,322	$85,587	$85,587
Program savings - Section 208.147	$11,341,815	$13,950,431	$14,299,192
Total Savings - Department of Social Services - Division of Medical Services	$11,413,137	$14,036,018	$14,384,779
Costs - Department of Social Services - Division of Medical Services			
Net program costs-Section 208.147 (see table)	($3,159,373)	($2,652,384)	($2,655,435)
Costs- Department of Social Services- Family Support Division			
Personal Service (251 FTE)	($3,425,818)	($4,213,756)	($4,319,100)
Fringe Benefits	($1,418,289)	($1,744,495)	($1,788,107)
Expense and Equipment	($1,595,048)	($393,422)	($405,225)
Costs- Department of Social Services- Family Support Division	($6,439,155)	($6,351,673)	($6,512,432)
Costs- Department of Mental Health			
Uncollected provider co-pays	($0 to $1,154,100)	($0 to $1,154,100)	($0 to $1,154,100)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$660,509 to $1,814,609**	**$3,877,861 to $5,031,961**	**$4,062,812 to $5,216,912**

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FEDERAL

Savings - Department of Social Services - Division of Medical Services			
Program savings - Section 208.212	$112,262	$134,714	$134,714
Program savings - Section 208.147	$17,012,722	$20,925,648	$21,448,789
Total Savings - Department of Social Services - Division of Medical Services	$17,124,984	$21,060,362	$21,583,503
Savings–Department of Mental Health			
Program Savings	$0 to $1,836,572	$0 to $1,836,572	$0 to $1,836,572
Savings - Department of Social Services - Division of Medical Services			
Program savings - Section 208.147 (see table)	$6,130,315	$8,140,867	$8,137,816
Costs- Department of Mental Health			
Uncollected provider co-pays	($0 to $1,836,572)	($0 to $1,836,572)	($0 to $1,836,572)
Costs- Department of Social Services- Family Support Division			
Personal Service (251 FTE)	($1,687,343)	($2,075,432)	($2,127,318)
Fringe Benefits	($698,560)	($859,229)	($880,710)
Expense and Equipment	($785,621)	($193,775)	($199,588)
Costs- Department of Social Services- Family Support Division	($3,171,524)	($3,128,436)	($3,207,616)
Loss–Department of Social Services Department of Social Services			
Program reimbursement	($20,083,775)	($26,072,793)	($26,513,703)
ESTIMATED NET EFFECT TO FEDERAL	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Providers which are small businesses could be fiscally impacted by this proposal.

DESCRIPTION

This proposal requires certain cost-containment measures within the Medicaid program.

The Department of Social Services shall conduct an annual income and eligibility verification review for each recipient of medical assistance. The review shall be completed no later than twelve months after the recipient's last eligibility review determination. New language specifies how the verification review may be completed and also requires participants to provide documentation for income verification. The Department must establish by rule the procedures for requiring recipients or applicants to disclose certain information about the availability of employer-sponsored health care and their employment status at the time of application or eligibility verification review.

Subject to federal law, the Department must promulgate rules that require recipients of medical assistance to participate in cost-sharing activities. The cost-sharing activities shall not apply to pharmaceuticals, the health care for uninsured children program, in-home care services, or home-health care services. Providers must make reasonable efforts to collect co-payments from recipients. Providers may make a claim to the Division of Medical Services for any co-payment that is not made by a recipient.

For Medicaid eligibility, investments in annuities shall be limited to annuities which:
-are actuarially sound as measured against the Social Security Administration Life Expectancy Tables;
-provide equal payments for its' duration; and
-provide Missouri with secondary or contingent beneficiary status in an amount equal to the Medicaid expenditure made on the individual's behalf.

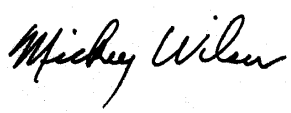
The Department must establish a thirty-six month look-back period to review investments in annuities made by applicants for Medicaid benefits. The Department shall also have rule-making authority to implement the provisions of Section 208.212.

DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
Department of Health and Senior Services
Department of Mental Health
Office of Attorney General



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