COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1737-04
Bill No.: HCS for HB 827
Subject: Disabilities; Medicaid; Public Assistance; Social Service Department
Type: Original
Date: April 11, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	Less than $25,352,268	Less than $25,340,799	Less than $25,338,745
Total Estimated Net Effect on General Revenue Fund	**Less than $25,352,268**	**Less than $25,340,799**	**Less than $25,338,745**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Federal*	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

*Savings and losses of approximately $40,000,000 would net to $0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the proposed legislation will have a fiscal impact on the DMS.

DMS states there were 17,795 MA-WD eligibles as of September 2004. The following assumptions are based on information from a Family Support Division's (FSD) Quality Control Review of MA-WD cases from October and November 2004. DMS states the count of eligibles was provided by the FSD.

DMS states that the current MA-WD eligibles will fall into one of five groups if this legislation passes.

Group 1: Lose eligibility because of resource limits - 282 individuals.
DMS estimates that 282 individuals will lose medical assistance because of changes in the resource limit. The FY 05 average cost/MA-WD eligible is $960.21 ($705.35 medical and $254.86 mental health services). DMS states this cost includes NF, hospital, dental, pharmacy, physician services, in-home, rehab & specialty and mental health services. The cost savings is 282 x $960.21 = $270,779 month. DMS estimates a savings total of $3.2 million each fiscal year.

ASSUMPTION (continued)

Group 2: Move to another Medicaid non-spenddown category - 3,513 individuals.
No savings or increased cost would result from this group.

Group 3: Meet spenddown/premium equal to spenddown - 4,403 individuals.
DMS states individuals would convert to and meet spenddown or remain MA-WD by paying a premium equal to the spenddown amount. Savings would be the amount of their spenddown. The average spenddown is $180.94/month. DMS estimates savings total $9.6 million for FY 06, FY 07 and FY 08.

Group 4: Move to spenddown but not meet spenddown - 8,285 individuals.
Individuals in this group could spenddown to receive medical assistance but for various reasons would not meet spenddown. Savings would be seen from this group. The FY 05 average cost/MA-WD eligible is $532.49. DMS assumes the individuals would not need/receive NF, hospital or mental health services. DMS estimates projected savings would total $52.9 million for FY 06, FY 07 and FY 08.

Group 5: Individuals who will remain in MA-WD - 1312 individuals.
This group would now be responsible for paying a premium or a higher premium to remain eligible for medical assistance under MA-WD.

Monthly premiums would total $224,400 however, current monthly premium collections for MA-WD total $204,062.35. This will result in an increase of premium funds of $20,337.65/month. The total increase of funds will total $244,052 each year.

FSD estimated that 24 additional individuals will be added to the MA-WD program per month because of these changes for the first year. The total cost to phase-in these individuals over a 12-month period will be $1,797,513 using a cost per-eligible of $960.21. It is estimated that these individuals will pay the $400 premium amount, so the amount collected over a 12-month period will be $748,800. These individuals will also pay a one-time enrollment fee of $65, so an additional $18,720 will be collected in enrollment fees. Therefore these individuals will have a net cost of $1,029,993 per year.

DMS estimates after one year the program will stabilize. FSD estimates that approximately 18 individuals per month will no longer be eligible for the program, but will be replaced with 18 new individuals. A one-time application fee of sixty-five dollars will be collected for these new individuals. DMS assumes that this will be considered an enrollment fee, which can be collected. DMS also assumes this can only be collected from individuals that are approved for the MAWD program. Annually an estimated $14,040 will be collected in enrollment fees.

ASSUMPTION (continued)

The proposed legislation will have a fiscal impact on the DMS. The projected savings is $67 million for FY 06, FY 07 and FY 08.

Officials from the **Department of Social Services - Family Support Division (FSD)** are using the same assumptions about what would happen to MA-WD recipients that were used for the Governor's budget. The savings are reduced by cost to continue MA-WD for persons who remain eligible under this bill.

Current MAWD Eligibles

FSD states as of September 2004, 17,795 individuals were receiving MA-WD. A Quality Control (QC) Review of MA-WD cases in October-November 2004 provided the following information:

--1.5% would be ineligible if spousal assets were counted to determine eligibility in the same manner they are for the OAA/PTD Medical Assistance program;

--3% of MA-WD recipients had earned above the Substantial Gainful Activity (SGA) limit, $810, at the time of the review.

--54.7% are earning less than $100 per month working for private individuals or in self-employment. Social Security tax is most likely not being withheld from the income of these individuals.

--9.4% are earning less that $100 from employers that would be required to withhold Social Security tax.

--8.6% have earnings between $581 and $810 per month.

--21% have earnings between $100 and $580 per month.

--25% of the MA-WD recipients are living with a spouse.

--13.3% of the total MA-WD cases are spouse cases that would have a spenddown of over $700 per month if the MA-WD were eliminated.

Revised subsection 208.146.1(3) sets an income limit for the disabled worker of $18,000 per year ($1,500 per month). FSD states the current income limit is $1,940 per month. Lowering the ASSUMPTION (continued)

income limit will result in 667 (3.7%) of the total MA-WD clients being over the individual income limit.

Of the current MA-WD population, FSD states 1.56% (278) would be ineligible based on the revised asset limits in Subsection 2.

Based on the assumption that was used in the Governor's budget, an estimated 335 of 1,121 MA-WD recipients with earnings above the SGA are not receiving Social Security Disability benefits and would have been ineligible for Medicaid. The 841 (75%) of these 1,121 recipients that are single would remain eligible by paying a premium based on the amount of earned income under subsection 208.146.12. These persons would either not have a spenddown as their earnings would cause ineligibility; or their premium based on earnings would exceed the spenddown premium. Of the 282 married MA-WD recipients with income above SGA, FSD estimates 141 (50%) are would be eligible by paying a premium based on the amount of earned income under subsection 208,146.12, spousal assets would cause 16 to be ineligible, and the remaining 125 would be ineligible based on spousal income. The 125 ineligible on spousal income would become PTD spenddown, 42 would meet spenddown and 83 would lose coverage due to not meeting spenddown.

As a result of the increased premiums, 3,513 MA-WD recipients would move to another Medicaid non-spenddown category. This is based on the assumption that was used in the Governor's budget which proposed eliminating the MA-WD program.

Subsection 208.146.5 for persons who would have been PTD spenddown if they were not working to pay a premium equal to their spenddown amount. This would result 12,894 recipients having a premium equal to their spenddown amount. Based on the percentages projected to meet spenddown in the Governor's budget. FSD estimates that 4,361 would pay the premium and 8,202 would lose eligibility due to not paying.

Subsection 208.146.5 also allows the premium based on spenddown to be reduced by the amount of earnings placed in a medical savings account or Independent Living Development account. To eliminate the spenddown premium and pay a premium based on earned income a person would need earnings to exceed the spenddown amount they would have if not working and put all of the earnings into an allowable account. This would not benefit persons with a spenddown of $100 or less as the the minimum premium based on earnings is $100. As 64.1% of the MA-WD recipients have earnings less than $100 and 6.3 have earnings above the SGA only 29.6% (3,817) of the 12,894 with a spenddown are potentially eligible under this provision. Of the 3,817, 13.3% (508) would be over the couple income limit. This would leave 3,309, of which it is ASSUMPTION (continued)

estimated 10% (331) would have earnings above the spenddown amount and put all of the earnings into an allowable account. If MA-WD were totally eliminated 115 of the 331 would have met spenddown and 216 would not.

FSD states if the non-spenddown Medicaid income limit is reduced to the SSI limit, FSD estimates the following would occur:

--3,513 recipients move to a non-spenddown Medicaid category.

--4,403 recipients would convert to and meet spenddown, or remain MA-WD by paying a premium equal to the spenddown amount.

--8,285 recipients would convert to spenddown, but not meet spenddown.

-- 282 recipients would be totally ineligible.

--1,312 recipients would remain eligible for MA-WD with a premium based on earned income.

Based on the QC review of the MA-WD with earnings above $100 per month, 58.7% have earnings from $100-$580, 23.9% earn from $581- $810, and 17.4% earn above $810 per month. Based on this FSD estimates the following number of persons in each of the earned income premium groups:

Premium groups:

12(3)(a) - $1-$399 earned income, $100 premium	=	656 (50%)
12(3)(b) - $400-$899 earned income, $200 premium	=	472 (36%)
12(3)(c)- $900-$1,199 gross income, $300 premium	=	92 (7%)
12(3)(d) - $1,200 and above, $400 premium	=	92 (7%)
Total MA-WD Eligibles paying premiums based on earned income	=	1,312

New Eligibles

FSD estimates this bill would potentially result in 288 new eligibles, phased in at a rate of 24 per month. All of these would likely have earned income above $1,200 per month. FSD based this on Census Data showing shows there are 460,000 Missouri households with income between 100% and 150% of the federal poverty level (FPL) and 315,373 households with income between 250% and 350% FPL. Thus, there are 68.4% as many households with income from

ASSUMPTION (continued)

250% to 300% FPL as 100% to 250%. FSD assumes the same percentage would apply to workers with disabilities households. Current MA-WD recipients are in households with income between 100% and 250% FPL. If all earnings up to the maximum were put into an excluded account, disabled beneficiary under this bill could have total income of $2,750 per month which is 345% of FPL. As there are 1,121 MA-WD recipients with earnings above the SGA, but below 250% FPL, it is estimated there 767 (1121 x 68.4%) disabled persons with earned income above the current MA-WD maximum but below $2,750. It is estimated 50% would be ineligible on assets or spousal income. Of the remaining it is estimated 75% would apply and be found eligible.

Staffing:

FSD determines that there will be no additional staffing costs, as the proposed MA-WD population will consist of the current caseload as well as current OAA/PTD Medical Assistance cases. FSD assumes that no new population of individuals unknown to FSD will be added to this program.

Officials from the **Department of Social Services - Division of Legal Services (DLS)** state DLS/Hearings determines, based upon FSD projections, that there will be additional staffing costs, as the proposed MA-WD population will be effected as follows:

Lowered Income Levels	667
Revised Asset Limits	267
Premium Pay Based Upon Earned Income	12
Premium Not Paid	8,927
Remain MAWD By Paying Premium	4,541
Not Meeting Spenddown	8,528
Ineligible Recipients	279
Recipients Eligible With a Premium Based on Earned Income	934
Total Number of Potential Hearings Requests	24,155

DLS assumes that 10% of the total number of potential hearing requests (24,155) would ask for a hearing, which could result in an estimated 2,415 new hearing requests. A hearing officer conducts approximately 550 hearings per year. With an additional 2,415 new hearing requests, DLS assumes that these hearing requests could potentially be duplicative in that claimants will be ineligible due to resource limits, income limits, and failure to pay the premium. Therefore, due to the current budgetary restraints and factoring in duplicative hearing requests, DLS assumes that the hearings unit would only require the addition of two new hearing officers. The existing ASSUMPTION (continued)

support staff could absorb the work generated by two new FTEs.

Pursuant to this proposed legislation, the DLS/Hearings Unit would conduct hearings as follows:

Spenddown Amount
Determination of Disability
Premium Amount
Whether Income is Earned Income
Application Fee - $165
Resource Amount
Medical Services Premium Non-Payment Hearing

Officials from the **Department of Health and Senior Services (DOH)** stated according to the Department of Social Services, this bill would 1) require certain eligibles to pay a premium who were previously exempted from paying a premium, 2) would add an insignificant number of new eligibles to the program and 3) would eliminate an insignificant number of eligibles from the program. Since this legislation would add an insignificant number of additional clients, the DOH, Division of Senior Services and Regulation would not need additional staff to case manage the new eligibles accessing in-home services.

However, DOH states it is important to note that the MAWD program was eliminated in the FY2006 Governor's Budget due to budgetary reductions. Since ths proposal continues the MAWD program, DOH would no longer be able to continue the caseload tasks associated with the MAWD program due to the core staff reductions for the division in the FY2006 Governor's Budget. If this proposal passes, DOH would need to submit a request for additional staff to handle the caseloads for this program that was targeted for elimination.

Officials from the **Office of the Secretary of State (SOS)** state this proposal modifies the requirements for Ticket to Work Program. SOS states this proposal may result in the Department of Social Services promulgating rules to implement this proposal. These rules would be published in the Missouri Register and the Code of State Regulations. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Social Services could require as many as 36 pages in the Code of State Regulations. For any given rule, roughly one-half again as many pages are published in the Missouri Register as are published in
the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the Missouri Register is $23.00. The estimated cost of a page in the Code of State Regulations is $27.00. The actual costs could be more or less than the numbers

given. The fiscal impact of this legislation in future years is unknown and depends upon the
ASSUMPTION (continued)

frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be $2,214 in FY 06.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.
Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Mental Health (DMH)** did not respond to our fiscal note request. However in HB 827 (L.R. 1737-01) the DMH stated the fiscal impact of the DMH clients would be reflected in the DOS response.

FISCAL IMPACT - State Government	FY 2006	FY 2007	FY 2008
GENERAL REVENUE			
Savings - Department of Social Services - Division of Medical Services			
Program Savings	$25,521,267	$25,521,267	$25,521,267
Costs - Department of Social Services - Division of Legal Services			
Personal Service (2 FTE)	($40,984)	($50,430)	($51,691)
Fringe Benefits	($17,484)	($21,513)	($22,051)
Expense and Equipment	($10,531)	($8,525)	($8,780)
Total Costs - Department of Social Services - Division of Legal Services	($68,999)	($80,468)	($82,522)
Costs - Department of Health and Senior Services			
Program Costs	(Greater than $100,000)	(Greater than $100,000)	(Greater than $100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**Less than $25,352,268**	**Less than $25,340,799**	**Less than $25,338,745**

FEDERAL

Savings - Department of Social Services - Division of Medical Services			
Program Savings	$41,516,471	$41,516,471	$41,516,471
Costs - Department of Social Services - Division of Legal Services			
Personal Service (2 FTE)	($27,322)	($33,620)	($34,461)
Fringe Benefits	($11,656)	($14,342)	($14,701)
Expense and Equipment	($7,021)	($5,683)	($5,854)
Total Costs - Department of Social Services - Division of Legal Services	($45,999)	($53,645)	($55,016)
Loss - Department of Social Services			
Program Reimbursements	($41,470,472)	($41,462,826)	($41,461,455)
ESTIMATED NET EFFECT ON FEDERAL	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal requires the Department of Social Services to determine the eligibility of an employed disabled person requesting medical assistance under the federal Ticket to Work and Work Incentives Improvement Act of 1999. The proposal:

(1) Requires an applicant to work at least 40 hours per month, have a gross annual income of less than $18,000, and pay a one-time $65 application fee;

(2) Specifies that an individual's personal assets cannot exceed $1,000, while a couple's assets cannot exceed $2,000;

(3) Specifies that an independent living development account with a value less than $10,000 per year, a medical expense account with a value less than $5,000 per year, and a combined spousal income up to $32,500 per year will not be considered assets for determining eligibility;

(4) Specifies that an individual whose income is greater than 80% of the federal poverty guidelines will have to pay a premium between $100 and $400 based on their previous month's income;

(5) Specifies that any person's income exceeding the limit for permanent and total disability benefits in Section 208.151, RSMo, will pay a premium equal to the amount of a person's spend down amount;

(6) Specifies that nonpayment of a premium will result in the denial or termination of medical assistance;

(7) Requires the Family Support Division to conduct an annual income and eligibility review of every recipient at least once a year during the month of February. Persons renewing their applications are to provide documentation of eligibility each year or be denied participation in the program for that year;

(8) Prohibits an individual who is eligible under this section but is also eligible for Medicaid and the federal Medicare Program from being eligible for continued prescription drugs or medication assistance; and

(9) Allows an individual who has been enrolled for four consecutive months and lost his or her job due to a medical condition or some other reason not attributable to the enrollee to retain eligibility in this program for an additional three months.

The proposal contains an emergency clause.

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

Secretary of State
Department of Social Services
Department of Health and Senior Services

NOT RESPONDING: Department of Mental Health

Mickey Wilson

Mickey Wilson, CPA
Director
April 11, 2005