

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5088-03
Bill No.: SCS for HCS for HB 1742
Subject: Disabilities; Medicaid; Social Services Department
Type: Original
Date: April 21, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue*	(\$7,508,638)	(\$7,834,636)	(\$1,062,499)
Total Estimated Net Effect on General Revenue Fund	(\$7,508,638)	(\$7,834,636)	(\$1,062,499)

*Subject to appropriations

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and costs of approximately \$12,000,000 would net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Secretary (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$1,500. The SOS office recognizes that is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Social Services - Family Support Division (FSD)** state this proposal would restore the Medical Assistance for Workers with Disabilities (MA-WD) program previously repealed by SB 539. FSD state it also added some limitations for such things as the consideration of spousal income and resources, and excludes sheltered workshop income from consideration when determining eligibility. The provisions for the consideration of income are only applicable to individuals who are Permanently and Totally Disabled (PTD) as set forth in

ASSUMPTION (continued)

208.151.24(c) of the legislation.

In order to project the fiscal impact for this proposal, FSD has determined it will need to combine the potential MA-WD eligibles with those from the sheltered workshop (disregarded income) group to arrive at the total global population(s) impacted by the proposal. However, it should be noted that because of the short turn-around time involved with this fiscal work up that the potential exists for duplication or overlap between the two populations: MA-WD and sheltered workshop income eligibles.

ELIGIBLES

MA-WD:

Essentially, there are three (3) different sub-populations impacted by the proposed legislation:

Old MA-WD only
Spenddown Met
Spenddown Not Met

This proposal addresses the following:

--664 recipients would have an average premium of \$59 per month and non spenddown.
--594 persons would have an average premium of \$86.45 per month with an average spenddown of \$273.28.- Spenddown met
--542 persons would have an average premium of \$90.78 per month with an average spenddown of \$356.45 - Spenddown not met

1,800 - Total Eligibles

ELIGIBLES DUE TO FSD DISREGARDING SHELTERED WORKSHOP INCOME:

Based on available information, it is FSD's contention that if sheltered workshop income were to be disregarded from consideration as income for purposes of eligibility for Medicaid that approximately 1,337 Missourians could be potentially eligible. These eligibles are comprised of three (3) sub-groups of the Medicaid population: 1) Individuals moving from spenddown to nonspenddown; 2) Individuals who are nonspenddown and earn less than \$65; and, 3) Individuals who have a reduced spenddown.

ASSUMPTION (continued)

1) Individuals moving from spenddown to nonspenddown:

Of this population, approximately 362 are expected to move from spenddown to

non-spenddown. It is further anticipated that 74% will continue to meet spenddown which equates to 271 individuals ($362 * 74\%$).

2) NonSpenddown and remain nonspenddown due to earnings less than \$65:

This population contains 178 individuals.

3) Spenddown individuals who have a reduced spenddown:

It is estimated that 797 individuals will have a reduction in spenddown. Of the 797 individuals impacted, 597 were already meeting spenddown. Of the 200 individuals remaining 33 will meet a reduced spenddown and the other 167 did not previously meet spenddown and are not projected to meet spenddown with this change.

Staffing: Any additional staffing needs will be absorbed by the division.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state Section 208.146 expands medical assistance by establishing a Medical Assistance for Workers with Disabilities program. DMS states individuals with gross incomes above 100% of the Federal Poverty Limit will pay a premium.

DMS states Section 208.151 provides that any income derived through certified extended employment at a sheltered workshop shall not be considered as income for determining Medicaid eligibility for the old age assistance, blind, and the permanently and totally disabled populations.

DMS states the count of eligibles was provided by the FSD. The FSD combined MA-WD program eligibles with the sheltered workshop eligibles in estimating the fiscal impact. DMS states there will be some overlap of individuals between the two program. DMS states at this time the FSD has no way to know who those individuals are. DMS states the two groups were combined so as not to underestimate the fiscal impact.

The average cost/eligible is based on the FY 05 expenditures for the MA-WD category of eligibles reported on Table 23 - Missouri Medicaid Recipients and Payments. This cost includes NF, hospital, dental, pharmacy, physician, in-home, rehab & specialty and mental health services.

A 4.5% inflation adjustment was made for each fiscal year.

ASSUMPTION (continued)

Section 208.146 - MA-WD program

DMS assumes individuals will be eligible for this program under one of three scenarios/groups if this legislation passes.

Group 1: Old MA-WD Only - 664 individuals.

The DMS assumes individuals are not currently participating in the Medicaid program. The cost is equal to the average cost per eligible. The cost is $664 \times \$1,142.80 = \$758,819$ month or \$9,105,830 annual.

However, the cost will be offset by the premium. The average premium for this group is expected to be \$59. Premium collections total $664 \times \$59 = \$39,176$ month or \$470,112 annually.

Group 2: Currently meeting spenddown but their premium will be lower than current spenddown. - 594 individuals.

DMS assumes these individuals are currently in the Medicaid program and meeting spenddown. The cost for this group will be the loss of the spenddown. Spenddown can be met in one of two ways: pay-in or meet with medical bills. The last 3-month average of those meeting spenddown 35% met with bills and 65% met by pay-in.

DMS assumes higher cost to Medicaid for those now meeting spenddown with medical bills. The average spenddown for this group is \$273.28. Cost calculation - $594 \times 35\% = 208$ individuals. $208 \times \$273.28 = \$56,842.24$ month/\$682,107 year.

The cost will be offset by the premium. The average premium for this group is \$86.45. The cost is $208 \times \$86.45 = \$17,981.60$ month or \$215,779 for 12 months.

For individuals who currently pay-in, the DMS will experience a cost because their current average spenddown is more than the average premium. The average spenddown is \$273.28 while the average premium is \$86.45 a difference of \$186.83.

$594 \times 65\% = 386 \times \$186.83 = \$72,116.38$ month and an annual cost of \$865,397.

Group 3: Currently not meeting spenddown but their premium will be lower than current spenddown - 542 individuals.

DMS assumes the individuals in this group will participate in Medicaid because their premiums

ASSUMPTION (continued)

will be lower than their current spenddown amount. The cost is equal to the average cost per eligible. The cost is $542 \times \$1,142.80 = \$619,397/\text{month}$ or $\$7,432,771$ for 12 months.

The cost will be offset by the premiums collected. The average premium for this group is $\$90.78$. The collections is $542 \times \$90.78 = \$49,202.76$ for a month and annual collections of $\$590,433$.

The fiscal impact for Section 208.146 is $\$16.8$ million for FY 07, $\$17.6$ million for FY 08. The program sunsets June 30, 2008.

Section 208.151 - Sheltered Workshop Income Disregard.

DMS estimates that 1,337 individuals will have their income from working at a sheltered workshop disregarded as income for determining Medicaid eligibility. This will reduce their spenddown. These individuals will fall into one of three groups:

Group 1: Currently spenddown but will move to non-spenddown - 362.

This group is divided into two groups - those participating/meeting spenddown and those not meeting spenddown.

Group 1a: Current spenddown and meeting spenddown - 271.

DMS assumes currently meeting spenddown but will move to non-spenddown. The cost will be their spenddown. Current average spenddown is $\$111.84$.

$271 \times \$111.84 = \$30,308.64$ month or $\$363,704$ annual cost.

Group 1b: Current spenddown but not meeting spenddown - 91.

Assumption is although currently not participating in Medicaid because they haven't met their spenddown but individual will participate if no spenddown. The cost is the average cost per eligible - $\$1,142.80 \times 91 = \$103,994.80$ month, annual cost of $\$1,247,938$.

Group 2: No change in spenddown - 178.

Assumes individuals in this group will not be impacted by changes. No impact.

Group 3: Currently spenddown and will see a reduction in spenddown - 797.

Group 3a: Current spenddown and meeting spenddown - 597.

The cost will be the amount of the reduction in spenddown. The average spenddown is expected to decrease by $\$69.38$ per month. $597 \times \$69.38 = \$41,419.86$ month; $\$497,038$ annual.

ASSUMPTION (continued)

Group 3b: Current spenddown but not meeting spenddown but will participate because of lower spenddown amount - 33.

Assumes individuals currently are not participating in the Medicaid program and haven't met spenddown but will if they have a lower spenddown. The cost is the average cost per eligible. $\$1,142.80 \times 33 = \$37,712.40/\text{month}$ and $\$452,549$ annual cost.

The cost will be offset by the spenddown. $33 \times \$69.38 = \$2,289.54$ month or $\$27,474$ for 12 months.

Group 3c: Current spenddown but not meeting spenddown - 167.

This group is currently not participating and it is assumed they will not meet spenddown if lowered. No cost.

The fiscal impact for Section 208.151 is $\$2.5$ million for FY 07, $\$2.6$ million for FY 08 and $\$2.8$ million for FY 09.

Total fiscal impact: FY 07 - $\$19.3$ million, FY 08 - $\$20.2$ million and FY 09 - $\$2.8$ million. When Section 208.146 and Section 208.151 costs are added together the total includes duplicate costs.

Officials from the **Office of Attorney General (AGO)** state proposal makes changes to eligibility requirements for the former MAWD program. AGO assumes any potential costs arising with the creation and implementation of this program can be absorbed with existing resources.

However, the AGO further assumes that because the it is responsible for defending such legislation in constitutionality claims, AGO assumes that the nature of these provisions could create a fiscal impact. As a result, AGO assumes costs are unknown, but under $\$100,000$.

Officials from the **Department of Mental Health (DMH)** state per section 208.151, persons served by DMH who are employees of sheltered workshops will benefit from the exclusion of their workshop earnings from Medicaid eligibility determination. The consumer working at a sheltered workshop would have increased personal benefits as a result of this proposal.

DMH states it serves a portion of the 1,337 sheltered workshop clients that are included in the DOS fiscal note, but the actual number served is unknown. DMH is unable to validate the number of DMH consumers working in sheltered workshops with DESE Vocational Rehabilitation records due to confidentiality issues. DMH does not anticipate that this proposal

ASSUMPTION (continued)

would result in a cost to DMH. Any increase in personal benefits for DMH clients employed by the shelter workshops would be applied toward the cost of their care and services.

The overall fiscal impact of the proposed bill to DMH for Sections 208.146 and 208.151 is unknown due to the DMH not being able to validate the number of DMH consumers working in sheltered workshops.

DMH assumes the fiscal impact to DMH is included in the DOS fiscal note response as it includes eligibles served by DMH.

Officials from the **Department of Elementary and Secondary Educations (DESE)** state DESE does not have the data required to make a fiscal determination and defers to the Department of Social Services.

Officials from the **Department of Health and Senior Services (DOH)** state in determining the fiscal impact of this proposal, the DOH, Division of Senior Services and Regulation has made the following assumptions:

The Department of Social Services will calculate the fiscal impact associated with determining eligibility under the new requirements; the cost of services for the new group of eligible recipients, and the cost of any administrative hearings regarding denial of eligibility.

The Department of Social Services, Family Support Division has provided information that this legislation would result in an estimated 1,800 new MAWD (Medical Assistance for the Working Disabled) eligibles for purposes of determining eligibility for Medicaid (public assistance) as a result of the proposed legislation. Of these eligibles, 664 are currently receiving Medicaid through spend-down and thus would already be included in the 1,800 clients. Therefore, the number of new eligibles is estimated to be 1,136 (1,800 - 664).

In FY05 the Division of Senior and Disability Services served 1,071 MAWD clients in its in-home services program and 719 MAWD clients in its consumer directed services program (transferred under Executive Order from the Department of Elementary and Secondary Education, Division of Vocational Rehabilitation to the DOH, Division of Senior and Disability Services) for a total of 1,790 clients out of the total 16,962 total MAWD population (number of eligibles when the program was discontinued in FY 06 as reported by the Family Support Division) giving the division a participation rate of 10.6% of all MAWD clients that are served by the division and who need either in-home services or consumer directed services.

ASSUMPTION (continued)

The Department of Social Services, Family Support Division reports that there would be an estimated 1,136 new MAWD eligibles as a result of this proposed legislation. Applying the Division's participation rate of 10.6% to the 1,136 new eligibles will result in 120 ($1,136 \times 10.6\%$) additional Medicaid recipients that will access home care or consumer directed care. The DOH will need to provide case management for new clients participating in the in-home services or consumer directed services program. (Please note the Department of Social Services will include costs for services for the new eligibles including the cost of in-home services or consumer directed services.)

Additionally, the Department of Social Services, Family Support Division has provided information that this legislation would result in an estimated 1,337 new eligibles for the purposes of determining eligibility for Medicaid (public assistance) as a result of exempting sheltered workshop employment income. Of these eligibles, 362 are currently receiving Medicaid through spend-down and thus would already be included in the 1,337 clients. Therefore the number of new eligibles is estimated to be 975 ($1,337 - 362$).

In FY05 the department served 308,120 Medicaid recipients and approximately 16% of these are projected to be in-home service clients ($49,419/308,120$). Based on the 16% participation for in-home services, the division estimates 156 ($975 \times 16\%$) additional Medicaid recipients that will access home care. Since specific data related in-home service utilization for Sheltered Workshop employees is not available, we have utilized the overall participation rate. The DOH will need to provide case management for new clients participating in the in-home services program. (Please note the Department of Social Services will include costs for services for the new eligibles including the cost of in-home services.)

Currently, caseloads for Division's Social Services Workers average 178 ($49,419/277$). Pursuant to 660.021 RSMo, the Caseload Standards Advisory Committee recommended that caseloads should be no more than a recommended 80 per worker. Previously, the division requested additional staff in an effort to reduce average caseloads to at least 100 per Social Service worker.

Keeping with the previous request to reduce caseloads to 100 per worker, the division will require 3 Social Service Worker positions to case manage the new MAWD eligibles and the new Medicaid eligibles as a result of exempting sheltered workshop income ($(120 + 156)/100=3$).

Social Service Worker duties include the responsibility for the investigation of hotlines, eligibility determination and authorization of state-funded in-home services; care plan management, and provide oversight and accountability for the performance of the Social Service

Workers including case review, evaluation, and guidance.

ASSUMPTION (continued)

Currently, the ratio of Home and Community Area Supervisor is one supervisor for every ten Social Service Worker FTE. Therefore, since this legislation will only require 3 SSW FTE, DOH will not request any additional Supervisor's or clerical staff and will absorb those duties with existing staff.

DOH states there is potential savings to the Hope and Adult Head Injury Programs, though the amount of those savings are unknown, but are believed to be less than \$100,000.

Oversight has, for fiscal note purposes only, changed the starting salary for the DOH positions to correspond to the first 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.

Oversight notes that Section 208.146.6 states "the provision of this section shall expire on June 30, 2008." Therefore, Oversight will not show costs related to the Ticket to Work program in FY 09.

<u>FISCAL IMPACT - State Government</u>	FY 2007	FY 2008	FY 2009
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GENERAL REVENUE

Savings - Department of Health and Senior Services

Program Savings*	Less than \$100,000	Less than \$100,000	Less than \$100,000
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Costs - Office of Attorney General

Program costs*	(Less than \$100,000)	(Less than \$100,000)	\$0
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Costs - Department of Health and Senior Services

Personal Services (3 FTE)	(\$39,661)	(\$41,366)	\$0
Fringe Benefits	(\$17,475)	(\$18,226)	\$0
Expense and Equipment	<u>(\$23,584)</u>	<u>(\$12,871)</u>	<u>\$0</u>

	(\$80,720)	(\$72,463)	\$0
<u>FISCAL IMPACT - State Government</u>	FY 2007	FY 2008	FY 2009

Cost - Department of Social Services -
 Division of Medical Services

Program costs	<u>(\$7,427,918)</u>	<u>(\$7,762,173)</u>	<u>(\$1,062,499)</u>
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ESTIMATED NET EFFECT ON

GENERAL REVENUE**	<u>(\$7,508,638)</u>	<u>(\$7,834,636)</u>	<u>(\$1,062,499)</u>
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*Oversight assumes savings of less than \$100,000 and costs of less than \$100,000 would net to \$0.

**Subject to appropriations

FEDERAL

Income -Department of Health and Senior
 Services

Program Reimbursements	\$94,760	\$85,063	\$0
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Income - Department of Social Services -
 Division of Medical Services

Program reimbursements	\$11,915,618	\$12,451,824	\$0
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Costs - Department of Health and Senior
 Services

Personal Services (3 FTE)	(\$46,559)	(\$48,559)	\$0
Fringe Benefits	(\$20,514)	(\$21,395)	\$0
Expense and Equipment	<u>(\$27,687)</u>	<u>(\$15,109)</u>	<u>\$0</u>
	(\$94,760)	(\$85,063)	\$0

Cost - Department of Social Services -
 Division of Medical Services

Program costs	<u>(\$11,915,618)</u>	<u>(\$12,451,824)</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON

FEDERAL	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007	FY 2008	FY 2009
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\$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 whose family gross income is less than 250% of the federal poverty level. The proposal:

- (1) Requires that an individual meet the definition of disabled person under the federal Supplemental Security Income Program or of an employed individual with a medically improved disability under the federal Ticket to Work and Work Incentives Improvement Act of 1999;
- (2) Requires an individual who has a net income that does not exceed the limit for permanent and totally disabled individuals to receive non-spenddown Missouri Medicaid benefits;
- (3) Requires any participant whose gross income exceeds 100% of the federal poverty level to pay a premium for participation in this program. However does not include medical savings accounts of up to \$5,000, or independent living accounts of up to \$5,000;
- (4) Requires an individual to participate in an employer-sponsored health insurance plan if the department determines that is more cost effective;
- (5) The above provisions will expire June 30, 2008, and
- (6) Exempts any income earned through certified extended employment at a sheltered workshop for the purposes of determining eligibility.

The bill 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

Department of Social Services
Department of Elementary and Secondary Education
Secretary of State
Department of Health and Senior Services
Department of Mental Health
Office of Attorney General

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 21, 2006