

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4805-01
Bill No.: HB 2354
Subject: Health Care; Insurance-Medical; Department of Social Services
Type: Original
Date: April 7, 2008

Bill Summary: This legislation creates a medical assistance program for certain low-income workers.

The provisions regarding medical assistance for low-income workers will expire six years from August 28, 2008.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Unknown but Greater than \$2,007,835)	(Unknown but Greater than \$196,652,464)	(Unknown but Greater than \$222,521,292)
Total Estimated Net Effect on General Revenue Fund	(Unknown but Greater than \$2,007,835)	(Unknown but Greater than \$196,652,464)	(Unknown but Greater than \$222,521,292)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Incomes and costs of Unknown but Greater than \$ 1,848,691 in FY09, Unknown but Greater than \$335,958,659 in FY10 and Unknown but Greater than \$380,331,670 in FY11 would net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	9.90 FTE	9.90 FTE	9.90 FTE
Federal	8.60 FTE	8.60 FTE	8.60 FTE
Total Estimated Net Effect on FTE	18.5 FTE	18.5 FTE	18.5 FTE

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions & Professional Registration** assume the proposal would have no fiscal impact on their agency.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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 the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

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)** assume the proposal would provide a medical assistance program for certain uninsured persons. It is not known how many individuals would be affected or what services they might receive through the medical assistance program.

The DMH assumes a potential likelihood to serve more consumers through the expanded eligibility created through this proposal. There are approximately 140,000 new MO HealthNet eligibles (per the Department of Social Services) created from this legislation. If DMH serves only a portion of this number the costs would be significant. Therefore, DMH assumes the cost associated with this legislation to be unknown greater than \$100,000 to both general revenue and federal funds.

Officials from the **Department of Health and Senior Services (DHSS)** assumes the Department of Social Services (DSS) 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.

ASSUMPTION (continued)

Division of Senior and Disability Services (DSDS) has utilized estimates from the DSS, Family Support Division (FSD) to determine the following impact.

FSD has estimated that 129,580 parents of children receiving MO HealthNet (MHN) services would be eligible under this program. DSDS assumes that these individuals would be eligible for medically necessary services included in the MO HealthNet State Plan, which includes personal care. Based on the utilization rate of personal care services for non-disabled MO HealthNet eligible adults, DSDS assumes approximately .90 percent, or 1,166 of the eligible individuals will utilize personal care services and therefore require assessment, authorization of services, and quality oversight by DSDS.

In addition, FSD has estimated that approximately 9,444 individuals whose applications for permanent and total disability were rejected would find employment and be found eligible for this program. Based on the utilization rate for individuals who are eligible as permanent and totally disabled (PTD) under the MO HealthNet program, DSDS assumes approximately 12.79 percent, or 1,208 individuals would utilize personal care services and thus require assessment, authorization of services, and quality oversight by DSDS.

As of June 30, 2007, caseloads for DSDS' Workers averaged approximately 156 per FTE ((41,504 In-Home + 10,068 Consumer-Directed)/329.60). Pursuant to Section 660.021, RSMo, the Caseload Standards Advisory Committee recommended that caseloads should be no more than 80 per worker. DSDS would request additional staff in an effort to reduce average caseloads to at least 100 per Social Service Worker. The Division will require 24 Social Service Worker FTE to case manage the new eligibles as a result of this legislation (1,166 + 1,208 clients/100 = 23.74). Social Service Worker duties include the responsibility for investigation of hotlines, eligibility determination, authorization of state-funded in-home services, and quality oversight of care plans for the protection and well being of the clients.

Currently, the ratio of Home and Community Area Supervisors (HCSAS) is one supervisor for every ten Social Service Worker (SSW) FTE. Therefore, since this legislation will require 24 SSW FTE, DSDS will also need two additional supervisors and two additional clerical staff. HCSASs provide oversight and accountability for the performance of SSWs including case review, evaluation, and guidance. Senior Office Support Assistants-Keyboarding (SOSA-K) provide clerical support services for SSWs and HCSASs including scheduling, correspondence, filing, and other routine clerical duties.

The blended Federal participation rate of 54 percent General Revenue and 46 percent Federal

was applied to this cost estimate for Personal Services and Expense and Equipment.

ASSUMPTION (continued)

Oversight has, for fiscal note purposes only, changed the average caseload for the DHSS Social Service Workers to the 156 eligibles per worker, which they are currently working. Therefore, Oversight assumes the DHSS would require 15 Social Service Worker FTE's, 1 Home and Community Service Area Supervisor FTE and 1 Senior Office Support Assistant FTE for this proposal.

Oversight has, for fiscal note purposes only, changed the starting salary for the DHSS 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.

Officials from the **Department of Social Services - Information Technology Services Division (DSS-ITSD)** assume the level of effort for this proposal is similar to the level of effort for the Ticket to Work program. Ticket to Work required almost 350 contractor hours at \$75 per hour and about 1000 hours of state FTE time. This new program will be incorporated into FAMIS with the Adult MO HealthNet programs. It will add on to the work effort already in progress. FAMIS estimate is 1500 hours at a blended rate of \$89 per hour.

Legacy Costs: Contractors: 350 hours * \$75 per hours = \$26,250
State Staff: 1000 Hours

FAMIS Costs: Contractors: 1500 hours * \$89 per hours = \$133,500

Officials from the **Department of Social Services - Division of Legal Services (DSS-DLS)** estimates 1% of the affected recipient population requests hearings on an annual basis. Assuming the legislation results in an increase of 139,024 population (129,580 parents and 9,444 temporarily disabled individuals), the hearings unit anticipates that it will have to handle an additional 1,390 hearings on an annual basis. Each hearing officer can handle approximately 900 hearings per year. The Hearings Section, therefore, anticipates that the legislation will require an additional 1.5 hearing officers, to handle the hearings ($139,024 \times 1\% = 1,390/900 = 1.5$ hearing officers).

Officials from the **Department of Social Services - Family Support Division (DSS-FSD)** anticipates 139,024 new applicants added as a result of this new legislation. FSD arrived at this

number in the following manner.

ASSUMPTION (continued)

There are 180,277 parents with kids receiving MO HealthNet (MHN) for Kids. 113,194 have earned income. FSD believes 112,809 would be found eligible for this new program (0.34% found ineligible due to resources: $113,194 \times 0.34\% = 385$; $113,194 - 385 = 112,809$). 67,083 have unearned income. FSD anticipates 25% of these parents would go to work and be found eligible for this program. ($67,083 \times 25\% = 16,771$).

$$112,809 + 16,771 = 129,580 \text{ parents}$$

These parents are known to FSD on current MHN for Kids cases. The FSD does not anticipate any new staff would be needed.

In January, 2008, there were 1,574 applications rejected for permanent, totally disabled (PTD) MHN benefits. FSD anticipates 50% of those rejected would go to work and be found eligible as a temporarily disabled adult and be eligible for this program. $1,574 \times 50\% = 787$. $787 \times 12 \text{ months} = 9,444 \text{ new eligibles}$

$$\text{Total eligibles: } 129,580 + 9,444 = 139,024$$

Based on 9,444 additional cases, and a 243 caseload standard, FSD would need 39 new Eligibility Specialists ($9,444/243 = 38.86$ rounded up to 39).

On a 10-1 ratio, Eligibility Specialist to Eligibility Supervisor, FSD would need 4 new Eligibility Supervisors ($39/10 = 3.9$, rounded up to 4).

On a ratio of 6-1 Eligibility Specialist/Eligibility Supervisor to Clerical Staff, we would need an additional 7 clerical staff, with 5 OSA and 2 SOSA. ($39 + 4 = 43 \div 6 = 7.16$, rounded down to 7. $7 \times 75\% = 5 \text{ OSA}$; $7 - 5 = 2 \text{ SOSA}$).

$$\text{Total new FTE: } 39 + 4 + 7 = 50$$

To manage the new caseload, FSD will use a variety of methods, such as a call center or other automated services. To project a cost to implement these methods FSD is using the cost of staff to manage the caseload. However, the funding will be used to implement new methods to manage the increase in caseload.

ASSUMPTION (continued)

Officials from the **Department of Social Services - MO HealthNet Division (DSS-MHD)** states the proposal establishes a medical assistance program for low-income workers if they meet certain criteria. Since a waiver would be needed for this program, the MO HealthNet Division assumes that there will be no cost for FY09 to allow time for the waiver to be submitted and approved by CMS.

The Family Support Division has determined there will be a total of 139,024 new eligibles. Of the new eligibles, 129,580 are parents with kids receiving MO HealthNet for Kids. The MO HealthNet Division assumes since FSD is aware of these individuals, they would be eligible for the program as soon as it is implemented. It is estimated that 11,122 of these individuals will be eligible for the Health Insurance Premium Payment program and MO HealthNet will pay their health insurance premium, therefore there will only be MO HealthNet costs for 118,458 of these individuals. Based on historical data, the average cost per participant per month will be \$339.19. The cost after applying a 4.5% medical inflation factor is \$354.45. The total cost for FY10 for this group is \$503,849,257 (118,458 X \$354.45 X 12 months). The total cost for FY11 for this group is \$526,522,118 (118,458 X \$370.40 X 12 months).

The remaining 9,444 eligibles are individuals that FSD has determined to qualify because they are temporary disabled. Since these individuals are not known, it estimated that 787 individuals per month will apply and be eligible. Based on historical data, the average cost per participant per month will be \$881.07. The cost after applying a 4.5% medical inflation factor is \$920.71. The total phase-in cost for FY10 for this group is \$56,518,704. The total cost for FY11 for this group is \$109,037,402 (9,444 X \$962.14 X 12 months).

If a new participant under this program has access to employer-sponsored health insurance, the DSS is required to determine if it would be more cost effective for them to participate in the employer's plan. If it is more cost effective the Department is required to pay for their premium and any cost-sharing. Since this mirrors the Health Insurance Premium Payment Program under the MO HealthNet Division, it is assumed that the addition of these eligibles would expand this current program.

It is estimated that 11,122 of the 139,024 new eligibles will have cost effective employer-sponsored health insurance available. The current average HIPP premium is \$204 per month. The cost after applying a 4.5% medical inflation factor is \$213.18. The cost for FY10 would be \$28,451,856 (11,122 X \$213.18 X 12). The cost for FY11 would be \$29,731,775 (11,122 X \$222.77 X 12). The cost sharing portion would be \$12,540 for FY10 and \$13,104 for

FY11.

ASSUMPTION (continued)

Since there will be an increase in HIPP participants, additional FTE's will be needed. It is estimated that 1 Medicaid Specialist and 4 Medicaid Technicians will be needed to handle the additional applications and participants. The cost of these FTE's is estimated at \$301,163 for FY10 and \$277,201 for FY11. This includes salaries, fringe benefits, equipment and supplies.

Section 208.512 allows physicians who are providers to participants in this program to receive an enhanced reimbursement for certain services if they meet certain criteria. Based on historical data the estimated annual cost to increase codes for new patients to 120% of Medicare will be \$1,178,924. The estimated annual cost to increase codes for established patients will be \$7,356,406. The total cost for FY10 after applying a 4.5% medical inflation factor will be \$8,919,419 and for FY11 it will be \$9,320,793.

Since it is unknown how many physicians will meet these requirements, the annual fiscal impact will be a range from \$0 to \$8,535,329. The fiscal impact for FY010 will be \$0 to \$8,919,419 and for FY11 it will be \$0 to \$9,320,793

Section 208.510.4 requires individuals in this program whose gross income exceeds one hundred percent of the federal poverty level to pay a premium. A 3 person household was used for the calculations of premiums collected. Percentages provided by FSD were used to determine how many eligibles would fall in each income range.

It was determined that 60,903 of the 129,580 parents would be below 100% of the Federal Poverty Level, therefore they are not required to pay a premium. The remaining 68,677 will be required to pay a premium. It is estimated that \$66,784,020 will be collected annually from this group.

It was determined that 4,439 of the 9,444 temporary disabled workers would be below 100% of the Federal Poverty Level, therefore they are not required to pay a premium. This group will be phased-in the first year and it is estimated that \$2,636,715 will be collected in premiums on 5,005 participants for FY10. For FY11 it is estimated that \$9,357,696 will be collected in premiums.

This legislation is subject to appropriation therefore the total net fiscal impact of this legislation (including costs and savings) for FY10 is \$0 to \$528,632,204. For FY11 the total net fiscal

impact is \$0 to \$598,760,677.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Costs - Department of Mental Health</u>			
Program Cost	(Unknown but Greater than \$100,000)	(Unknown but Greater than \$100,000)	(Unknown but Greater than \$100,000)
<u>Costs - Department of Health and Senior Services</u>			
Personal Service	(\$242,042)	(\$299,163)	(\$308,138)
Fringe Benefits	(\$107,031)	(\$132,290)	(\$136,259)
Equipment and Expense	(\$97,039)	(\$50,114)	(\$51,617)
<u>Total Costs - DHSS</u>	<u>(\$446,112)</u>	<u>(\$481,567)</u>	<u>(\$496,014)</u>
FTE Change - DHSS	9.18 FTE	9.18 FTE	9.18 FTE
<u>Costs - Department of Social Services</u>			
Personal Service - DLS	(\$23,203)	(\$28,690)	(\$29,551)
Fringe Benefits - DLS	(\$10,260)	(\$12,687)	(\$13,067)
Equipment and Expense - DLS	(\$4,984)	(\$4,312)	(\$4,442)
Program Costs - ITSD	(\$127,710)	\$0	\$0
Program Costs - FSD	(\$1,295,566)	(\$1,395,971)	(\$1,437,850)
Program Costs - MHD	\$0	(\$194,629,237)	(\$220,440,368)
<u>Total Costs - DSS</u>	<u>(\$1,461,723)</u>	<u>(\$196,070,897)</u>	<u>(\$221,925,278)</u>
FTE Change - DSS	.72 FTE	.72 FTE	.72 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown but Greater than \$2,007,835)</u>	<u>(Unknown but Greater than \$196,652,464)</u>	<u>(Unknown but Greater than \$222,521,292)</u>
Estimated Net FTE Change for General Revenue Fund	9.90 FTE	9.90 FTE	9.90 FTE

FISCAL IMPACT - State Government
 (continued)

FY 2009
 (10 Mo.)

FY 2010

FY 2011

FEDERAL FUNDS

Income - Department of Mental Health
 Federal Assistance

Unknown but
 Greater than
 \$100,000

Unknown but
 Greater than
 \$100,000

Unknown but
 Greater than
 \$100,000

Income - Department of Health and
 Senior Services
 Federal Assistance

\$379,435

\$410,224

\$422,530

Income - Department of Social Services
 Federal Assistance

\$1,369,256

\$335,448,435

\$379,809,140

Costs - Department of Mental Health
 Program Costs

(Unknown but
 Greater than
 \$100,000)

(Unknown but
 Greater than
 \$100,000)

(Unknown but
 Greater than
 \$100,000)

Costs - Department of Health and Senior
 Services

Personal Service

(\$206,184)

(\$254,843)

(\$262,488)

Fringe Benefits

(\$91,175)

(\$112,692)

(\$116,072)

Equipment and Expense

(\$82,076)

(\$42,689)

(\$43,970)

Total Costs - DHSS

(\$379,435)

(\$410,224)

(\$422,530)

FTE Change - DHSS

7.82 FTE

7.82 FTE

7.82 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2009 (10 Mo.)	FY 2010	FY 2011
<u>Costs - Department of Social Services</u>			
Personal Service - DLS	(\$25,136)	(\$31,081)	(\$32,013)
Fringe Benefits - DLS	(\$11,115)	(\$13,744)	(\$14,156)
Equipment and Expense - DLS	(\$5,399)	(\$4,672)	(\$4,812)
Program Costs - ITSD	(\$32,040)	\$0	\$0
Program Costs - FSD	(\$1,295,566)	(\$1,395,971)	(\$1,437,850)
Program Costs - MHD	\$0	(\$334,002,967)	(\$378,320,309)
<u>Total Costs - DSS</u>	(\$1,369,256)	(\$335,448,435)	(\$379,809,140)
FTE Change - DSS	.78 FTE	.78 FTE	.78 FTE

**ESTIMATED NET EFFECT ON
FEDERAL FUNDS**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change for Federal Funds	8.60 FTE	8.60 FTE	8.60 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Physicians that operate as small businesses could be economically impacted.

Small businesses that are healthcare providers may see an increase in services provided and subsequent payments received as a result of the additional eligible individuals under this

proposal. Small businesses may also opt to discontinue health insurance coverage if their employees would be eligible under this program.

FISCAL DESCRIPTION

The proposed legislation changes the laws regarding medical assistance and provider reimbursement.

MEDICAL ASSISTANCE FOR LOW-INCOME WORKERS:

A medical assistance program is established for certain individuals with a temporary disability or the parent of a minor child. Eligible individuals are required to have earned income; meet certain asset limits; have net income that does not exceed the limit for permanent and totally disabled individuals to receive nonspenddown MO HealthNet Program benefits; and have a gross income of 250% or less of the federal poverty level.

The legislation specifies which types of income will be disregarded when determining an individual's net income. Individuals with an income above 100% of the federal poverty level will be required to pay a percent of their income as a premium for participation in the program. Participants are required to report any change in income or household size within 10 days of the change. If a participant has access to employer-sponsored health insurance and the Department of Social Services determines that it is more cost effective, the Department must pay the participant's portion of the premiums, co-payments, and other associated costs for participation in the employer-sponsored health insurance. The Department is required to obtain any necessary waivers or state plan amendments to obtain the federal funding necessary to provide medical assistance.

ENHANCED PROVIDER REIMBURSEMENTS:

Providers under the program are allowed to receive enhanced reimbursement for certain services. The enhanced rate will be 120% of the federal Medicare reimbursement rate for new patients and 110% for established patients. In order to qualify for the enhanced reimbursement, the provider must become the health care home for a patient; complete a patient history and consultation for the patient; and file a treatment plan for the patient.

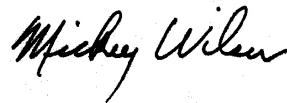
The provisions regarding medical assistance for low-income workers will expire six years from August 28, 2008.

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 Insurance, Financial Institutions & Professional Registration
Department of Mental Health
Department of Health and Senior Services
Department of Social Services
Office of the Secretary of State

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

Mickey Wilson, CPA
Director
April 7, 2008