

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4805-05  
Bill No.: HCS for HB 2354  
Subject: Health Care; Insurance-Medical; Department of Social Services  
Type: Original  
Date: April 18, 2008

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Bill Summary: This legislation regards medical assistance for low-income workers and enhanced physician reimbursements.

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
General Revenue	(Unknown but Greater than \$21,618,312)	(Unknown but Greater than \$27,057,245)	(Unknown but Greater than \$28,270,321)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown but Greater than \$21,618,312)</b>	<b>(Unknown but Greater than \$27,057,245)</b>	<b>(Unknown but Greater than \$28,270,321)</b>

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

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 11 pages.

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

\*Incomes and costs of Unknown but Greater than \$36,310,918 in FY09, Unknown but Greater than \$45,518,786 in FY10 and Unknown but Greater than \$47,562,632 in FY11 would net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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).

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

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## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of Administration, Department of Economic Development, Department of Revenue** and the **Department of Insurance, Financial Institutions & Professional Registration** each assume the proposal would have no fiscal impact on their respective agencies.

Officials from the **Office of the Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

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 Elementary and Secondary Education** states tax subsidies reduce the state's tax revenues and decreases the amount of money available for public schools and all public school students.

**Oversight** assumes the money available for public schools and all public school students will remain the same.

ASSUMPTION (continued)

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 changes in eligibility under the new requirements, the cost of services for those recipients with changed eligibility, and the cost of any administrative hearings regarding eligibility changes.

DHSS assumes the change in the SSDI disregard amount from \$50 to \$250 for participation in the "Ticket to Work" Program would not require additional staff. Individuals would simply move from MO HealthNet spenddown status, which already allows them to access home and community based care, to non-spenddown. This proposal is not expected to fiscally impact DHSS; however, if it is determined at a later date that a fiscal impact is realized, DHSS would pursue additional funding via the appropriations process.

Officials from the **Department of Social Services - Division of Legal Services (DSS-DLS)** assume the proposal would have no fiscal impact on their agency.

Officials from the **Department of Social Services - Family Support Division (DSS-FSD)** assumes the section changes the SSDI disregard from \$50 to \$250. This change will add 3,272 to the Ticket to Work Health Assurance Program. FSD estimated 3,272 people would be added to this program in SB 577 (2007) if the SSDI disregard was \$250. It is believed all of these individuals would find a job with earnings that meet the definition of earned income to become eligible because of the change in SSDI disregard to \$250. They would come from the spenddown population. Therefore, there is no fiscal impact to FSD.

ASSUMPTION (continued)

Officials from the **Department of Social Services - Information Technology Services Division (DSS-ITSD)** assume the proposal would add a program to the MO HealthNet programs and is similar to the level of effort for the original 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 currently under development. This will add on to the work effort already in progress. The FAMIS estimate is 1500 hours at a blended rate of \$89 per hour. The Family Support Division may consider this as included in the current development. In that case there is no cost for the FAMIS part.

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

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

**Oversight** assumes there will be no cost for the FAMIS costs as it is under current development.

Officials from the **Department of Social Services - MO HealthNet Division (DSS-MHD)** states the following:

Section 208.146.3.(2)(f):

It is assumed more individuals will be eligible for the Ticket to Work program if the net income is adjusted to disregard the first \$250 of SSDI payments. Count of eligibles provided by FSD.

The average cost/eligible (\$1,166.76) is based on the last two months of expenditures for the Ticket to Work category of eligibles reported on Table 23 - MO HealthNet Recipients and Payments. This cost includes NF, hospital, dental (limited services), pharmacy, physician, in-home (personal care), rehab & specialty and mental health services.

Funding for the in-home (personal care) services are appropriated to DHSS and funds for mental health services are funded through the DMH.

The average premium collected (\$78.60) is calculated using the last two months of actual (January and February 2008) collections.

Individuals will come into the program under one of two scenarios/groups if this legislation passes.

SEC:LR:OD (12/06)

ASSUMPTION (continued)

Group 1: Currently meeting spenddown but their premium will be lower than current spenddown: Assume currently in the MO HealthNet 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. 37.02% of the spenddown population are meeting their spenddown. The average spenddown is \$189.68. This group will now pay a premium. The average premium is \$78.60. The difference between the current spenddown and the premium is the cost to MO HealthNet - \$111.08.

Group 2: Currently not meeting spenddown but their premium will be lower than current spenddown: It is assumed the individuals in this group will participate in the Ticket to Work program because their premiums will be lower than their current spenddown amount. The cost is equal to the average cost per eligible for those enrolled in the current Ticket to Work program. The cost will be offset by their premium.

The cost for the two groups were added to find the total cost. The fiscal impact was multiplied by a 4.5% trend to arrive at the FY 09 impact. An adjustment was made to show 10 months of costs for FY 09. A 4.5% trend was also added for FY 10 and FY 11.

FY 09 - \$24,841,900  
FY 10 - \$31,151,747  
FY 11 - \$32,553,576

Since funding for services for this program are also found in other Departments, a breakdown of the cost are provided below.

MHD costs are 42.77%  
DMH costs are 55.64%  
DHSS cost are 1.59%

Section 208.148:

A physician enrolled in the Mo HealthNet program will receive an enhanced reimbursement on certain services if the physician does the following: become the health care home for a MO HealthNet patient; complete a patient history and consultation for the patient; and file a treatment plan for the patient.

ASSUMPTION (continued)

In FY08 money was appropriated for MO HealthNet to contract with an enrollment broker to assist MO HealthNet participants select a health care home and money was also appropriated for health risk assessments to be completed jointly by the participant and the provider. Additional money was requested for in a new decision item for FY09. It is assumed that MO HealthNet will continue contracting with the enrollment broker and reimbursing for the health risk assessment.

Physicians who meet these requirements will be reimbursed 100% of the Medicare rate for new patients and 100% of the Medicare rate for established patients.

Claims data from FY07 was used to determine the fiscal impact of increasing the rates. The American Medical Association Current Procedural Terminology (CPT) codes 99201 to 99205 for new patients and CPT codes 99211 to 99215 for established patients were reviewed. The cost to increase office visit rates for new patients to 100% of the Medicare rate will be \$4,802,688. For FY09, it is assumed the cost will be for 10 months; therefore it is \$4,000,639. After applying a 4.5% medical inflation factor for each year, the cost for FY10 is \$5,018,809 and for FY11 it is \$5,244,655.

The annual cost to increase office visit rates for established patients to 100% of the Medicare rate will be \$34,646,388. For FY09, it is assumed the cost will be for 10 months; therefore it is \$28,860,441. After applying a 4.5% medical inflation factor for each year, the cost for FY10 is \$36,205,475 and for FY11 it is \$37,834,722.

The calculations include individuals entering the Ticket-To-Work program from Section 208.146.3.(2)(f) of this proposed legislation.

The enhanced reimbursement is subject to appropriation and it is unknown how many physicians will meet these requirements, the total annual fiscal impact to the MO HealthNet Division for this legislation will be a range from \$0 to \$39,449,076. The fiscal impact for FY09 will be \$0 to \$32,861,080, FY10 it will be \$0 to \$41,224,284 and for FY11 it will be \$0 to \$43,079,377.

**Oversight** has, for fiscal note purposes only, assumed this proposal will be appropriated and will reflexed the cost without a "\$0 to" range.

FISCAL IMPACT - State Government

FY 2009  
 (10 Mo.)

FY 2010

FY 2011

**GENERAL REVENUE FUND**

Costs - Department of Mental Health

Program Cost

(Unknown but  
 Greater than  
 \$100,000)

(Unknown but  
 Greater than  
 \$100,000)

(Unknown but  
 Greater than  
 \$100,000)

Costs - Department of Social Services

Program Costs-ITSD

(\$26,250)

\$0

\$0

Program Costs-MHD Ticket To Work

(\$9,144,303)

(\$11,466,958)

(\$11,982,971)

Program Costs-MHD Enhanced

(Unknown to

(Unknown to

(Unknown to

Reimbursement

\$12,347,759)

\$15,490,287)

\$16,187,350)

Total Costs - DSS

(Unknown to

(Unknown to

(Unknown to

\$21,518,312)

\$26,957,245)

\$28,170,321)

**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE FUND**

(Unknown but  
Greater than  
\$21,618,312)

(Unknown but  
Greater than  
\$27,057,245)

(Unknown but  
Greater than  
\$28,270,321)

**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 Social Services

Federal Assistance

Unknown to  
 \$36,210,918

Unknown to  
 \$45,418,786

Unknown to  
 \$47,462,632



<u>FISCAL IMPACT - State Government</u> (continued)	FY 2009 (10 Mo.)	FY 2010	FY 2011
<u>Costs - Department of Mental Health</u> Program Costs	(Unknown but Greater than \$100,000)	(Unknown but Greater than \$100,000)	(Unknown but Greater than \$100,000)
<u>Costs - Department of Social Services</u> Program Costs-MHD Ticket to Work	(\$15,697,597)	(\$19,684,789)	(\$20,570,605)
Program Costs-MHD Enhanced Reimbursement	<u>(Unknown to \$20,513,321)</u>	<u>(Unknown to \$25,733,997)</u>	<u>(Unknown to \$26,892,027)</u>
<u>Total Costs - DSS</u>	<u>(Unknown to \$36,210,918)</u>	<u>(Unknown to \$45,418,786)</u>	<u>(Unknown to \$47,462,632)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

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

FISCAL IMPACT - Small Business

Increases a tax credit for businesses with less than 100 employees.

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

### *Ticket To Work Health Assurance Program:*

The first two hundred fifty dollars of the Social Security Disability Income payment will be disregarded when determining net income for the Ticket to Work Health Assurance Program.

### *ENHANCED PROVIDER REIMBURSEMENTS:*

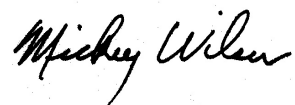
Providers under the program are allowed to receive enhanced reimbursement for certain services. The enhanced rate will be 120% of the federal Medicare reimbursement rate for new patients and 110% for established patients. In order to qualify for the enhanced reimbursement, the provider must become the 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  
Office of Administration  
Department of Elementary and Secondary Education  
Office of the Attorney General  
Department of Economic Development  
Department of Revenue



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