

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6038-01
Bill No.: HB 1864
Subject: Medicaid; Social Services Department
Type: Original
Date: February 24, 2014

Bill Summary: This proposal requires the Department of Social Services to implement an automated process to ensure applicants applying for benefit programs are eligible for such programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	Unknown, greater than \$258,153	Unknown, greater than \$309,184	Unknown, greater than \$309,184
Total Estimated Net Effect on General Revenue Fund	Unknown, greater than \$258,153	Unknown, greater than \$309,184	Unknown, greater than \$309,184

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Various Other State Funds	Unknown, greater than \$750,936	Unknown, greater than \$901,123	Unknown, greater than \$901,123
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown, greater than \$750,936	Unknown, greater than \$901,123	Unknown, greater than \$901,123

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Savings, loss, income and expenses exceed \$2.8 million and net to \$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ 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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS) - Family Support Division (FSD)** state FSD has a new decision item included in the current budget request relating to fraud prevention/detection technologies for contract costs of \$2,085,000 and Medicaid program savings of \$6,104,340, for a net savings of \$4,019,340.

For section 208.238, current technology does not allow FSD the ability to ensure individuals applying for or receiving program benefits are eligible. Current technology only indicates individuals may be eligible based on the best information available.

Technology does exist to verify and authenticate an individual's identity during the application process. Additionally, once individuals are initially determined eligible for benefit programs, periodic checks can be made for indicators that the individual may no longer be eligible for assistance. The FSD estimates this technology would cost \$2,085,000 to implement. However, the FSD estimates that such technology would result in savings of \$6,104,340 because this technology would assist FSD with identifying individuals ineligible for the MO HealthNet programs. This results in an overall savings of \$4,019,340. Additional savings may be possible for other programs; however, the amount of additional savings is unknown at this time.

Due to federal rules for the Food Stamp program, the FSD would be required to request a waiver to implement this process for Food Stamp applicants. If the waiver is not approved by the federal Food and Nutrition Services, the FSD reasonably anticipates there could be sanctions imposed by the United State government if this process were implemented without an approved waiver. These sanctions could include a disallowance of some or all of the federal Food Stamp program funding.

Oversight assumes implementation of an automated process to ensure applicants applying for benefit programs are eligible to receive benefits could have significant additional savings to the DSS, potentially reducing the number of staff needed to investigate allegations of potential fraud and abuse by recipients and staff needed to pursue collection and restitution of claim overpayments. These potential savings may be outside the scope of this fiscal note. The potential savings are unknown.

Oversight assumes costs and savings for DSS-FSD for FY 15 to be for 10 months. Oversight assumes FY 16 and FY 17 costs for the fraud detection process could exceed the amount provided by DSS - FSD.

Officials from **DSS** state the Missouri Eligibility Determination and Enrollment System (MEDES) contract can accommodate any changes required by this legislation. DSS assumes that changes will not be made to existing systems (FAMIS, etc.). Therefore, there is no cost to the Office of Administration - Information Technology Services Division (ITSD).

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Savings</u> - DSS-FSD (§208.238)			
Reduction in program benefit payments, staff, and other expenses	Unknown, greater than \$1,126,403	Unknown, greater than \$1,351,684	Unknown, greater than \$1,351,684
<u>Costs</u> - DSS-FSD (§208.238)			
Contract costs for fraud detection	(Unknown, greater than \$868,250)	(Unknown, could exceed \$1,042,500)	(Unknown, could exceed \$1,042,500)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>Unknown, greater than \$258,153</u>	<u>Unknown, greater than \$309,184</u>	<u>Unknown, greater than \$309,184</u>
OTHER STATE FUNDS (various)			
<u>Savings</u> - DSS-FSD (§208.238)			
Reduction in program benefit payments, staff, and other expenses	Unknown, greater than \$750,936	Unknown, greater than \$901,123	Unknown, greater than \$901,123
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>Unknown, greater than \$750,936</u>	<u>Unknown, greater than \$901,123</u>	<u>Unknown, greater than \$901,123</u>

FISCAL IMPACT - State Government

FY 2015
(10 Mo.)

FY 2016

FY 2017

FEDERAL FUNDS

Income - DSS-FSD (§208.238)

Program reimbursements for fraud
detection contract

Unknown, greater than \$868,250	Unknown, could exceed \$1,042,500	Unknown, could exceed \$1,042,500
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Savings - DSS-FSD (§208.238)

Reduction in program benefit payments,
staff, and other expenses

Unknown, greater than \$3,209,611	Unknown, greater than \$3,851,533	Unknown, greater than \$3,851,533
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Costs - DSS-FSD (§208.238)

Fraud detection contract costs

(Unknown, greater than \$868,250)	(Unknown, could exceed \$1,042,500)	(Unknown, could exceed \$1,042,500)
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Loss - DSS-FSD (§208.238)

Reduction in reimbursements for
program benefit payments, staff, and
other expenses

<u>(Unknown, greater than \$3,209,611)</u>	<u>(Unknown, greater than \$2,809,033)</u>	<u>(Unknown, greater than \$2,809,033)</u>
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**ESTIMATED NET EFFECT ON
FEDERAL FUNDS**

\$0

\$0

\$0

FISCAL IMPACT - Local Government

FY 2015
(10 Mo.)

FY 2016

FY 2017

\$0

\$0

\$0

FISCAL IMPACT - Small Business

This proposal could impact a wide variety of small businesses that provide goods and services to public assistance recipients if those recipients are deemed to be ineligible for public assistance before they receive benefits rather than after they receive benefits. It is assumed this proposal will have a negative impact on small businesses.

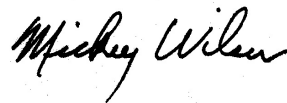
FISCAL DESCRIPTION

This proposal requires the Department of Social Services to implement an automated process to ensure an applicant is eligible to apply for a benefit program. The automated process must be designed to periodically review any current beneficiary to ensure he or she is still eligible for any benefit they are receiving. The system must check applicant and recipient information against multiple sources of information through an automated process.

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 -
Family Support Division



Mickey Wilson, CPA
Director
February 24, 2014

Ross Strobe
Assistant Director
February 24, 2014