

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5130-02  
Bill No.: SCS for HB 1795  
Subject: Social Services Department; Public Assistance  
Type: Original  
Date: April 15, 2016

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Bill Summary: This proposal requires the Department of Social Services to contract with a third party to verify eligibility for public assistance programs.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$671,866)	(\$121,374)	(\$315,439)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$671,866)</b>	<b>(\$121,374)</b>	<b>(\$315,439)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Various Other	\$366,692	\$1,059,346	\$977,858
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$366,692</b>	<b>\$1,059,346</b>	<b>\$977,858</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Federal*			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income, savings, expenditures and losses net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any  
 Of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Social Services (DSS)** provide the following assumptions for this proposal:

#### **Section 208.065 - Eligibility Verification**

This section requires the DSS to procure a contract no later than January 1, 2017, to verify eligibility for assistance under the supplemental nutrition assistance program (SNAP); the temporary assistance for needy families (TANF) program; the child care assistance program; and the MO HealthNet program using name, date of birth, address, and Social Security number of each applicant and recipient against public records and other data sources to verify eligibility data.

Family Support Division (FSD) officials assume the department would contract for this service. The contractor will conduct data match services to determine which participants may not be eligible for SNAP, TANF, child care assistance and MO HealthNet benefits. If there is no information/data that contradicts the original determination of benefits, then DSS assumes the participants are still eligible. However, DSS assumes all final eligibility determinations will be made by FSD.

Estimates for a contractor to provide services to implement eligibility determinations are based on past calculations prepared for the FY 2015 budget cycle as part of the Governor's recommendation. In addition, DSS assumes for the cases that are identified, case management services would be contracted to provide follow-up analysis of each case. Contract and case management costs are estimated to be \$2,774,200 (\$1,120,167 GR; \$1,654,033 Federal) in FY 2017, \$3,977,001 (\$1,710,357 GR; \$2,266,644 Federal) in FY 2018 and \$4,144,035 (\$1,782,192 GR; \$2,361,843 Federal) in FY 2019.

DSS based its savings on the Illinois Medicaid Redetermination Project report. According to the Illinois information, many Illinois cases had not been reinvestigated for some time. Missouri has been timelier on reinvestigations; therefore, DSS assumes a lesser percentage of cases reviewed would be cancelled. DSS assumed 75% of the Illinois caseload for the first 5 months of the first calendar year; 50% of the Illinois caseload for the last 7 months of the first calendar year and the first 6 months of the second calendar year; and then 25% of the Illinois caseload for the remainder of year two. There are no additional savings projected for year three.

Version two of this legislation removed persons receiving home- and community-based services from being reviewed through this system. This cost savings is accounted for in the previous version. The calculation used includes 50% of the MO HealthNet participants, which takes into account the population described in the legislation that is excluded from being processed through the third party verification system. Therefore, the cost savings remains the same as version one.

ASSUMPTION (continued)

**Medicaid savings:** DSS assumes \$239 per member per month (PMPM) savings. This is half of Adult MO HealthNet for Families participant PMPM cost. Illinois found that many participants losing coverage did not have PMPM costs representative of the caseload because they had not accessed services. Illinois' actual PMPM savings from first group was \$55 PMPM. DSS assumes Missouri savings would be more since Missouri has been completing reinvestigations timelier. Potential savings to the state from recoveries is \$2,493,009 (\$550,037 GR; \$366,692 Other Funds; \$1,576,280 Federal) in FY 2017; \$9,695,035 (\$2,139,035 GR; \$1,426,023 Other Funds; \$6,129,977 Federal) in FY 2018; for a cumulative total savings of \$16,343,059 (\$3,605,802 GR; \$2,403,868 Other Funds; \$10,333,389 Federal) in FY 2019.

**SNAP savings:** DSS assumes \$260 per member per month (PMPM) savings. Using the same methodology, potential savings are \$1,135,680 in Federal Funds for FY 2017; \$4,417,400 in Federal Funds for FY 2018; for a total cumulative SNAP Federal Fund savings of \$7,445,360 in FY 2019.

Food Stamp benefits are paid by the federal government and are not included in FSD's appropriations.

CFR 272.4(a)(2) Program administration and personnel requirements:

Due to federal rules for the Food Stamp program, 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, 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.

**TANF savings:** DSS assumes \$230 per member per month (PMPM) savings. Using the same methodology, potential savings are \$64,860 in Federal Funds in FY 2017; \$253,000 in Federal Funds in FY 2018; for a total cumulative TANF Federal Funds savings of \$425,500 in FY 2019.

This would result in a reduction of TANF spending on cash assistance, but not a savings in TANF funding because all TANF must be spent on one of the four purposes of the TANF program:

- 1) To provide assistance to needy families;
- 2) To end dependence of needy parents by promoting job preparation, work and marriage;
- 3) To prevent and reduce out-of-wedlock pregnancies; and
- 4) To encourage the formation and maintenance of two-parent families.

FSD anticipates a shift in spending from cash grants to eligible families to other purposes of the TANF program.

ASSUMPTION (continued)

**Child care savings:** DSS assumes \$323 per member per month (PMPM) savings. Using the same methodology, potential savings are \$122,094 in Federal Funds for FY 2017; \$474,810 in Federal Funds for FY 2018; for a total cumulative Child Care Development Federal Fund savings of \$800,394 in FY 2019.

This would result in a reduction of child care spending on assistance, but not a savings in Child Care Development Fund (CCDF) funding because all CCDF must be spent on child care assistance or child care quality programs.

Estimated cumulative savings for these four programs are \$3,815,643 (\$550,037 GR, \$366,692 Other Funds, \$2,898,914 Federal) in FY 2017; \$14,840,245 (\$2,139,035 GR, \$1,426,023 Other Funds, \$11,275,187 Federal) in FY 2018; for a total cumulative savings for four programs of \$25,014,313 (\$3,605,802 GR, \$2,403,868 Other Funds, \$19,004,643 Federal) in FY 2019.

TOTAL IMPACT

	TOTAL	GR	Federal	Other Funds
FY 2017	\$ 1,041,442	(\$570,131)	\$1,244,881	\$366,692
FY 2018	\$10,863,243	\$428,678	\$9,008,542	\$1,426,023
FY 2019	\$20,870,277	\$1,823,610	\$16,642,799	\$2,403,868

**Oversight** will present the individual savings for Medicaid/MO HealthNet and SNAP by year rather than as cumulative totals. Since funds for TANF must be spent on one of the four purposes of the TANF program and Child Care funds must be spent on child care assistance or child care quality programs, these do not actually present a savings to the state and will not be presented in the fiscal note.

**Division of Legal Services (DLS)** officials state this bill does not change the factors that FSD considers when making an eligibility determination, so there should be no significant increase in administrative hearings as a result of it.

DSL will provide legal advice and technical assistance in issuing and implementing the contract. DLS anticipates that it will be able to accomplish this with existing resources.

DSS provided the **Office of Administration (OA), Information Technology Services Division (ITSD)** response. ITSD estimates the cost to be \$101,736 to the General Revenue Fund. The effort will involve 1,356.46 hours of contract labor at \$75 per hour. It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.

ASSUMPTION (continued)

The Family Assistance Management Information System (FAMIS) is expected to provide a file with the name, date of birth, address, and Social Security number of each applicant and recipient, and additional data provided by the applicant or recipient relevant to eligibility against public records and other data sources to verify eligibility data. There is no mention of the frequency of this exchange except the fact that deaths, moving out of state, and incarceration should be verified monthly.

This could end being a major change in FAMIS based on the actual requirement. The requirement talks about “name, date of birth, address, Social Security number of each applicant and recipient”. There are certain screens where FAMIS does not require the Eligibility Specialist (ES) to enter details of the applicant if they are not requesting benefits and this might have to change. Also, at this time, ITSD does not know if this will in any way impact the existing annual reinvestigation/recertification process in FAMIS. At this time, ITSD also does not know of any special requirements as far as forms and notices are concerned.

It should also be kept in mind that some of the MO HealthNet programs are already in the Missouri Eligibility Determination and Enrollment System (MEDES).

ITSD estimates the following contracted IT consultant hours and costs related to this proposal:

<u>Section</u>	<u>Hours</u>	<u>Rate/Hour</u>	<u>GR</u> <u>Costs</u>	<u>Federal Funds</u> <u>Costs</u>
208.065.1 (FAMIS)	457.92	\$75	\$34,344	
208.065.2 (FAMIS)	172.80	\$75	\$12,960	
208.065.3 (FAMIS)	276.48	\$75	\$20,736	
208.065.3 (IM)*	276.48	\$75	\$20,736	
208.065.4 (FAMIS)	<u>172.80</u>	\$75	<u>\$12,960</u>	
Total	1,356.48		\$101,736	

\* Income Maintenance

Officials from the **Department of Health and Senior Services** and the **Department of Mental Health** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (6 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE FUND</b> (§208.065)			
<u>Savings</u> - DSS-FSD/MHD			
Recovery from eligibility verifications for Medicaid/MO HealthNet	\$550,037	\$1,588,983	\$1,466,753
<u>Costs</u> - DSS-FSD/MHD			
Contract and case management fees for eligibility verifications	(\$1,120,167)	(\$1,710,357)	(\$1,782,192)
<u>Costs</u> - OA-ITSD			
Contract IT costs	<u>(\$101,736)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$671,866)</u></b>	<b><u>(\$121,374)</u></b>	<b><u>(\$315,439)</u></b>
<b>OTHER STATE FUNDS (various)</b> (§208.065)			
<u>Savings</u> - DSS-FSD/MHD			
Recovery from eligibility verifications for Medicaid/MO HealthNet	<u>\$366,692</u>	<u>\$1,059,346</u>	<u>\$977,858</u>
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS (various)</b>	<b><u>\$366,692</u></b>	<b><u>\$1,059,346</u></b>	<b><u>\$977,858</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2016 (6 Mo.)	FY 2017	FY 2018
<b>FEDERAL FUNDS</b> (§208.065)			
<u>Income</u> - DSS-FSD/MHD			
Income for program reimbursements for contract and case management fees for eligibility verifications	\$1,654,033	\$2,266,644	\$2,361,843
<u>Savings</u> - DSS-FSD/MHD			
Reduction in program expenditures due to verification of eligibility for Medicaid/MO HealthNet	\$1,576,280	\$4,553,697	\$4,203,413
<u>Savings</u> - DSS-FSD/MHD			
Reduction in SNAP expenditures	\$1,135,680	\$3,281,720	\$3,027,960
<u>Costs</u> - DSS-FSD/MHD			
Contract and case management fees for eligibility verifications	(\$1,654,033)	(\$2,266,644)	(\$2,361,843)
<u>Loss</u> - DSS-FSD/MHD			
Reduction in program reimbursements due to verification of eligibility for Medicaid/MO HealthNet	(\$1,576,280)	(\$4,553,697)	(\$4,203,413)
<u>Loss</u> - DSS-FSD/MHD			
Reduction in SNAP funds to the state	<u>(\$1,135,680)</u>	<u>(\$3,281,720)</u>	<u>(\$3,027,960)</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 2017 (6 Mo.)	 FY 2018	 FY 2019
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>



### FISCAL IMPACT - Small Business

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

### FISCAL DESCRIPTION

By January 1, 2017, this bill requires the Department of Social Services to procure and enter into a competitively bid contract with a contractor for the purpose of providing verification of initial and ongoing eligibility data for assistance under the Supplemental Nutrition Assistance Program; Temporary Assistance for Needy Families; Child Care Assistance Program; and MO HealthNet Program.

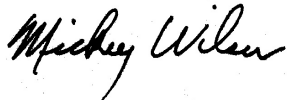
The contractor must conduct data matches using specified information relevant to eligibility against public records and other data sources to verify eligibility data. The contractor must evaluate the income, resources, and assets of each applicant and recipient no less than quarterly. In addition to quarterly eligibility data verification, the contractor must identify on a monthly basis any program participants who have died, moved out of state, or have been incarcerated longer than 90 days. Upon completing an eligibility data verification of an applicant or recipient, the contractor is required to notify the department of the results, except that the contractor is prohibited from verifying the eligibility data of persons residing in long-term care facilities whose income and resources were at or below the applicable financial eligibility standards at the time of their last review. The department must make an eligibility determination within 20 business days of receipt of the notification. The bill requires the department to retain final authority over eligibility determinations and the contractor must keep a record of all eligibility data verifications communicated to the department.

The department and contractor must file a joint report on a yearly basis, within 30 days of the end of each calendar year, to the Governor, the Speaker of the House of Representatives, and the President Pro Tem of the Senate. The bill specifies the information that must be included in the report.

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 Health and Senior Services  
Department of Mental Health  
Department of Social Services -  
    Family Support Division  
Office of Administration -  
    Information Technology Services Division/DSS



Mickey Wilson, CPA  
Director  
April 15, 2016

Ross Strobe  
Assistant Director  
April 15, 2016