

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5333-02
Bill No.: HB 1856
Subject: Medicaid/MO HealthNet; Public Assistance; Social Services Department
Type: Original
Date: February 26, 2018

Bill Summary: This proposal requires MO HealthNet participants to participate in work activities, with certain exceptions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue*	(Could exceed \$242,930)	(\$20,473,163) to \$42,219,006	(\$20,566,837) to \$47,172,734
Total Estimated Net Effect on General Revenue	(Could exceed \$242,930)	(\$20,473,163) to \$45,219,006	(\$20,566,837) to \$47,172,734

* Impact is dependant upon compliance with work requirement. Higher compliance results in lower savings; lower compliance results in higher savings.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Federal *	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income, savings, expenses and losses between \$20 million to greater than \$100 million annually and net to \$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	0	7.81 to 21.3	7.81 to 21.3
Federal Funds	0	3.19 to 8.7	3.19 to 8.7
Total Estimated Net Effect on FTE	0	11 to 30	11 to 30

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS)** state Chapter 208, RSMo, is amended by adding one new section, to be known as Section 208.063 which implements a weekly 20 hour work requirement into MO HealthNet (MHN) programs. Participants not meeting an exemption under 208.063.2 are ineligible for MHN unless they are working, participating in a work or workfare program, volunteering, or any combination of work activities for at least 20 hours per week averaged monthly.

The **Division of Legal Services (DLS)** will advise in rule making; this can be done with existing resources.

Family Support Division (FSD) officials state the FSD determined the estimate of the population affected by making the following assumptions:

- “Work” will be the same as the Core Unpaid Employment Activities for Temporary Assistance (TA) that include unsubsidized employment, self-employment, on-the-job training, in-kind work and subsidized employment in the private or public sector and that persons who earn a monthly amount equivalent to 20 hours per week at \$7.85/hour minimum wage, or \$680 per month will be considered to have met the work hours requirement.
- “Work program” for MHN participants will be the same as the Core Unpaid Employment Activities for Temporary Assistance (TA) that include job search/job readiness, Alternative Work Experience Program (AWEP) / Community Work Experience Program (CWEP), or provision of child care services to participants in a community service program, as well as unpaid educational activities such as vocational education and training, satisfactory attendance in high school/GED, or those students enrolled at least half-time in any recognized technical school or institution of higher education.
- “Volunteering” will include unpaid work designed to improve employability when the participant is not otherwise able to obtain sufficient or suitable employment.
- Persons who are medically certified as physically or mentally unfit for employment include all of the MO HealthNet for Aged, Blind and Disabled population who have been found to meet disability criteria, limiting their ability to work for at least one year as well as the Breast and Cervical Cancer Treatment participants.

ASSUMPTION (continued)

- A parent or caretaker of a child under age one is the adult in the Modified Adjusted Gross Income (MAGI) household, composed using MAGI methodologies per 42 CFR 435.603(f), will be exempt.
- Extended Women's Health Services participants are exempt from the requirements as they would have a child in the household under the age of 1.
- Individuals must meet the same eligibility criteria for prior quarter eligibility as they do for the month of application for ongoing benefits and would have to meet the 20 hour work requirement in the three months prior to application.
- Individuals receiving Transitional MO HealthNet for Families would be exempt from the work requirement and the eligibility requirements for this program would be unchanged.
- Based on guidance received from the Centers for Medicare and Medicaid Services (CMS), the DSS will not receive a waiver mandating work requirements for populations in Show Me Healthy Babies, MO HealthNet for Pregnant Women, and Uninsured Women's Health Services programs.

Based on the assumptions above, FSD determined there are an estimated 75,823 individuals who would be mandated to comply with work requirements if the provisions of this bill are implemented. FSD determined these individuals by identifying the current populations of MO HealthNet for Families that are age 19 to 63 and do not meet any exemptions outlined in this legislation. Due to system limitations and other variables, the FSD does not have sound data to compile precise numbers for projecting the affected populations.

The FSD estimates 0 - 52,495 individuals could lose MO HealthNet eligibility for noncompliance. FSD determined the number of individuals who could lose eligibility in the following manner:

FSD determined that in November 2017, there were 75,823 individuals currently receiving MO HealthNet who would not meet an exemption that would be mandated to comply with work requirements. Of the 75,823 individuals that would be mandated to comply with work requirements, 5,830 are already meeting the work requirement. Of the 75,823 individuals that would be mandated to comply with work requirements, 69,993 (75,823 - 5,830) are not currently meeting the work requirement.

At this time, it is unknown how many individuals who are not currently meeting the work requirement will comply. The compliance rate will be dependent on what requirements will be allowed through a waiver from CMS.

ASSUMPTION (continued)

Because it is unknown how many will comply and what the cost will be to administer a work program, FSD estimates that 25%-75% of the 69,993 individuals would comply and the cost to administer a work program will be approximately \$1,000 per participant per year through a vendor contract. The FSD assumes that Program Development Specialist (PDS) staff will administer the work program for the FSD and monitor vendor contracts, with an average caseload of 2,000 individuals per PDS.

25% Compliance:

If 25% or 17,498 ($69,993 \times 0.25 = 17,498.25$, rounded down) individuals who are not currently meeting the work requirement comply, FSD estimates that 52,495 ($69,993 \times 0.75 = 52,494.75$, rounded up) individuals will lose eligibility for MO HealthNet if the provisions of this bill are enacted.

FSD estimates the total expenditures will be \$17,498,000 ($17,498 \times \$1,000$) to administer the work program. FSD estimates an additional 10 FTE will be needed, including 9 PDS ($17,498/2,000 = 8.79$, rounded up) and 1 Social Services Manager Band 1 (10 PDS per manager ($9/10 = 0.9$, rounded up)).

50% Compliance:

If 50% or 34,997 ($69,993 \times 0.50 = 34,996.5$, rounded up) individuals who are not currently meeting the work requirement comply, FSD estimates that 34,996 ($69,993 \times 0.50 = 34,996.5$, rounded down) will lose eligibility for MO HealthNet if the provisions of this bill are enacted.

FSD estimates the total expenditures will be \$34,997,000 ($34,997 \times \$1,000$) to administer the work program. FSD estimates an additional 19 FTE will be needed, including 17 PDS ($34,997/2,000 = 17.49$, rounded down) and 2 Social Services Manager Band 1 (10 PDS per manager ($17/10 = 1.7$, rounded up)).

75% Compliance:

If 75% or 52,495 ($69,993 \times 0.75 = 52,494.75$ rounded up) individuals who are not currently meeting the work requirement comply, FSD estimates that 17,498 ($69,993 \times 0.25 = 17,498.25$, rounded down) individuals will lose eligibility for MO HealthNet if the provisions of this bill are enacted.

FSD estimates the total expenditures will be \$52,495,000 ($52,495 \times \$1,000$) to administer the work program. FSD estimates an additional 29 FTE will be needed, including 26 PDS ($52,495/2,000 = 26.24$, rounded down) and 3 Social Service Manager Band 1 (10 PDS per manager ($26/10 = 2.6$, rounded up)).

ASSUMPTION (continued)

Additional system programming will be needed to integrate work program compliance information, program sanctions, and alert staff when participants become age eligible and/or ineligible for work requirements so that a review for other possible exemptions can be made. The FSD defers to the Office of Administration (OA), Information Technology Services Division (ITSD) for any costs associated with system changes.

On January 11, 2018, CMS released new policy guidance for states to test community engagement for able-bodied adults through 1115 Demonstration Waivers. This guidance supports the alignment of Medicaid work requirements with those of TA and Food Stamps. CMS suggests that states follow TA and Food Stamp work requirement programs when considering exempted populations, protections for the disabled, allowable activities, enrollee reporting requirements, and the availability of transportation and child care for participants. With such an alignment, CMS states that participants and exempt persons in TA and Food Stamp work programs should automatically be considered as complying with Medicaid work requirements.

The DSS would request a waiver from CMS to implement the provisions of this legislation. FSD estimates that it would take approximately a year to obtain CMS approval of the waiver. Due to the time it takes to obtain the waiver, implementation of the work requirements would not begin until July 1, 2019.

The total fiscal impact is estimated to be between \$17,498,000 (with 10 FTE) to \$52,495,000 (with 29 FTE needed to administer a work program). FSD determined that, based on Medicaid enrollment as of November 30, 2017, 57.8% of the adults who received Medicaid also received Food Stamp benefits and therefore, the cost of the work program for those individuals would be covered at a 50% federal match. **Per CMS guidance, states do not receive a Federal Medicaid Match for supportive services such as work requirement costs.**

One additional Management Analysis Specialist (MAS; \$42,780 annually) will be needed for contract monitoring in the Division of Finance and Administrative Services (at the same funding split as the FSD staff).

The FSD assumes the projected FSD administrative costs will be offset by the savings to overall Medicaid coverage costs. The FSD defers to the MO HealthNet Division (MHD) for Medicaid savings projections.

Oversight notes, based on responses from the **Office of Administration (OA), Division of Facilities Management, Design and Construction (FMDC)** for proposals from the current session that result in an agency needing additional rental space, costs include building lease costs, fuel and utilities, and janitorial services. Therefore, Oversight will reduce DSS' estimated lease expenses for added utilities and janitorial services costs.

ASSUMPTION (continued)

MO HealthNet Division (MHD) officials state for the Medicaid savings, the number of people that would be affected by this legislation would need to be calculated using a range of individuals. Approximately 75,823 individuals would be required to comply with work requirements. Of those 75,823 individuals, up to 69,993 could now be ineligible/lose coverage for MO HealthNet.

Since MO HealthNet would be losing participants, or no longer signing up certain new applicants, MHD assumes a positive fiscal impact with fewer people to cover. For MO HealthNet for Families (MHF), MHD took an average of the payments made for these individuals through the Managed Care program.

MHD will assume that any savings will be a range for participants who are not currently meeting the work requirements. Because it is unknown how many will comply, MHD will use a range of 25%-75% of the 69,933 individuals will be used. A 3.8% inflation rate was used for FY21. An annual savings is estimated to be as follows:

FY19 - No savings assumed in FY19 due to the time it takes to be granted the waiver and implementation of the work requirements (savings will begin July 1, 2019);
FY20 Total: \$56,149,434 - \$168,448,303 savings (GR \$19,538,318 to \$58,614,956;
FF \$36,611,116 to \$109,833,347);
FY21 Total: \$58,283,112 - \$174,849,338 savings (GR: \$20,280,774 to \$60,842,324;
FF \$38,002,338 to \$114,007,014)

The Grand total has the highest cost savings with 25% compliance and 75% non-compliance (more participants will lose benefits as a result of non-compliance) ; the lowest cost savings occurs with 25% non-compliance and 75% compliance (more participants keep benefits).

FY 19: \$0 (Waiver and implementation);

FY 20: Cost of \$150,256 to savings of \$149,598,232 (GR range of cost of \$20,490,762 to savings of \$45,212,556; FF range of savings of \$20,340,505 to \$104,385,677;

FY 21: Savings of \$809,622 to savings of \$155,614,171 (GR range of cost of \$20,582,878 to savings of \$47,166,120 and FF range of savings of \$21,392,499 to \$108,448,051.

DSS officials provided the response for the OA, ITSD/DSS. **OA, ITSD/DSS** officials state the Family Assistance Management Information System (FAMIS) will need to create new screens to capture the necessary data elements to determine eligibility. A new eligibility determination factor will need to be created. The new determination factor will result in new forms or changes to existing forms as well as new reports. In addition, several new batch jobs will need to be created.

ASSUMPTION (continued)

ITSD assumes that every new IT project/system will be bid out because all ITSD resources are at full capacity. The current contract rate for IT consultants is \$75 per hour. It is estimated changes to FAMIS will require 1,080 IT consultant contract hours (\$81,000). These one-time costs will be split 53% General Revenue/47% Federal Funds.

In addition, the proposed legislation would create an additional eligibility factor in the form of work requirements for adults that may receive Medicaid coverage under the Medical Assistance for Families (MAF) program. Design, development and implementation activities are currently in progress via contracts with IT services vendors. It is not possible to determine approximate cost at this time but based on contracted amounts for other Missouri Eligibility Determination and Enrollment System (MEDES) activities yielding a similar amount of functionality, the cost will be an unknown amount in excess of \$2,000,000; it is assumed this cost will be split 10% General Revenue/90% Federal Funds.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

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.

Oversight notes, for fiscal note purposes regarding the DSS fiscal impact of this proposal, the greater the number of MO HealthNet recipients who are not compliant with the provisions of this proposal, the greater the reduction in MO HealthNet costs (savings) and the lower the costs incurred by FSD because fewer FTE will be needed. If a lower percentage of MO HealthNet participants are not compliant, FSD will be required to hire a greater number of FTE to perform the duties of monitoring for compliance and fewer participants will lose MO HealthNet benefits, thereby reducing MO HealthNet savings. For this fiscal note Oversight will subtract lower costs from higher savings and subtract higher costs from lower savings to provide the fiscal impact range.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Savings</u> - DSS, MHD (§208.063)			
Reduction in program costs	\$0	\$19,538,318 to \$58,614,956	\$20,280,774 to \$60,842,324
<u>Costs</u> - DSS, FSD (§208.063)			
Personal service	\$0	(\$331,974 to \$904,905)	(\$335,293 to \$915,954)
Fringe benefits	\$0	(\$182,969 to \$498,865)	(\$183,955 to \$501,552)
Equipment and expense	\$0	(\$128,902 to \$350,667)	(\$79,434 to \$216,635)
Contract costs	<u>\$0</u>	<u>(\$12,752,105 to \$38,257,044)</u>	<u>(\$13,070,908 to \$39,213,470)</u>
Total <u>Costs</u> - DSS, FSD	\$0	<u>(\$13,395,950 to \$40,011,481)</u>	<u>(\$13,669,590 to \$40,847,611)</u>
FTE Change - DSS, FSD	0 FTE	7.81 to 21.3FTE	7.81 to 21.3 FTE
<u>Costs</u> - OA, ITSD (§208.063)			
System updates to FAMIS	(\$42,930)	\$0	\$0
System updates to MEDES	<u>(Could exceed \$200,000)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - OA, ITSD	<u>(Could exceed \$242,930)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Could exceed \$242,930)</u>	<u>(\$20,473,163) to \$45,219,006</u>	<u>(\$20,566,837) to \$47,172,734</u>
Estimated Net FTE Change on the General Revenue Fund	0 FTE	7.81 to 21.3FTE	7.81 to 21.3 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
FEDERAL FUNDS			
<u>Income</u> - OA, ITSD (§208.063)			
Reimbursements for FAMIS system updates	\$38,070	\$0	\$0
Reimbursements for MEDES system updates	<u>Could exceed</u> <u>\$1,800,000</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Income</u> - OA, ITSD	<u>Could exceed</u> <u>\$1,838,070</u>	<u>\$0</u>	<u>\$0</u>
<u>Income</u> - DSS, FSD (§208.063)			
Increase in program reimbursements	\$0	\$5,445,026 to \$16,263,455	\$5,556,274 to \$16,602,508
<u>Savings</u> - DSS, MHD (§208.063)			
Reduction in program expenditures	\$0	\$36,611,116 to \$109,833,347	\$38,002,338 to \$114,007,014
<u>Costs</u> - OA, ITSD (§208.063)			
FAMIS system updates	(\$38,070)	\$0	\$0
MEDES system updates	<u>(Could exceed</u> <u>\$1,800,000)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - OA, ITSD	<u>(Could exceed</u> <u>\$1,838,070)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
FEDERAL FUNDS (continued)			
<u>Costs - DSS, FSD (\$208.063)</u>			
Personal service	\$0	(\$134,937 to \$367,816)	(\$136,287 to \$371,495)
Fringe benefits	\$0	(\$74,371 to \$202,773)	(\$74,772 to \$203,866)
Equipment and expense	\$0	(\$52,373 to \$142,535)	(\$32,286 to \$88,057)
Contract costs	<u>\$0</u>	<u>(\$5,183,345 to \$15,550,331)</u>	<u>(\$5,312,929 to \$15,939,090)</u>
Total <u>Costs</u> - DSS, FSD	\$0	<u>(\$5,445,026 to \$16,263,455)</u>	<u>(\$5,556,274 to \$16,602,508)</u>
FTE Change - DSS, FSD	0 FTE	3.19 to 8.7 FTE	3.19 to 8.7 FTE
<u>Loss - DSS, MHD (\$208.063)</u>			
Reduction in program reimbursements	\$0	<u>(\$36,611,116 to \$109,833,347)</u>	<u>(\$38,002,338 to \$114,007,014)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	0 FTE	3.19 to 8.7 FTE	3.19 to 8.7 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill requires a MO HealthNet participant to work, participate in a work program, volunteer, or participate in a workfare program, unless the participant is under 19 years of age, 64 years of age or older, physically or mentally unfit to work, a parent or caretaker of a child under one year of age, a parent or caretaker of a child with a disability, receiving unemployment, or participating in a drug addiction or alcoholic treatment and rehabilitation program.

The Department of Social Services must submit any state plan or waiver necessary, and these provisions will not become effective until approval of the state plan or waiver.

This legislation is not federally mandated and would not duplicate any other program, but may require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services -
 Family Support Division
 MO HealthNet Division
Joint Committee on Administrative Rules
Office of Administration -
 Information Technology Services Division/DSS
Office of Secretary of State

Ross Strobe



Acting Director
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