

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5293-01
Bill No.: HB 2379
Subject: Medicaid/MO HealthNet; Children and Minors
Type: Original
Date: February 21, 2020

Bill Summary: This proposal modifies provisions for health care for children.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$8,458,998)	(\$25,988,157)	(\$26,544,545)
Total Estimated Net Effect on General Revenue	(\$8,458,998)	(\$25,988,157)	(\$26,544,545)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenses exceed \$48.5 million annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

☒ 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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§208.151 - Continuous MO HealthNet eligibility for children under age 19

Officials from the **Department of Social Services (DSS)** state §208.151 is amended to provide children under 19 with coverage for twelve months subsequent to the last day of the month in which the child was enrolled. Children are no longer eligible if they fail to meet the Missouri residency requirement or reach 19 years of age.

42 CFR 435.926 provides states the option to provide continuous eligibility for up to 12 months for children under the age of 19 years of age. If a state chooses this option, a child's eligibility may not be terminated during the continuous eligibility period, regardless of any changes in circumstances, unless the child turns 19 years of age, the case is voluntarily closed, the child moves out of state, the agency determines the child was not initially eligible, or the child dies.

The Family Support Division (FSD) assumes, if Missouri were to implement continuous eligibility for children under the age of 19, the provisions of 42 CFR 435.926 will be followed and FSD will use the additional reasons outlined in the federal regulation when determining the number of children under the age of 19 who could be eligible for 12 consecutive months of coverage as a result of this legislation.

FSD estimates 19,267 children under 19 years of age will be eligible for 12 consecutive months.

FSD arrived at 19,267 children under 19 years of age in this manner:

System limitations prevented FSD from identifying the population whose case would have closed due to the provisions in 42 CFR 435.926 prior to July 2019. Therefore, FSD used data from July 2019 - October 2019 (4 months of data) to determine this information.

FSD determined between July 2019 and October 2019, 88,219 children under the age of 19 lost MO HealthNet eligibility. Of those 88,219 children under the age of 19, there were 40,575 who lost eligibility at the time of their annual renewal after receiving MO HealthNet continuously for 12 months. Another 7,505 children closed for reasons outlined in 42 CFR 435.926. Therefore, 40,139 (88,219 - 40,575 - 7,505) of the 88,219 children who lost eligibility for MO HealthNet in July 2019 through October 2019 lost eligibility for other changes in circumstances that would not result in the loss of eligibility per 42 CFR 435.926.

ASSUMPTION (continued)

FSD estimates 120,417 (40,139 children per 4 month period * 3) children under 19 years of age will remain continuously eligible for 12 months per year. FSD then evaluated all children under the age of 19 that applied and were approved in October 2018 to determine if they remained eligible at the end of September 2019 to determine how many of the 120,417 children under the age of 19 are currently receiving at least 12 months of continuous eligibility. FSD determined that of the 2,926 approvals, 2,454 individuals remained eligible through the end of September 2019. Therefore, FSD estimates an average of 84% ($2,454 / 2,926 = 84\%$) of children under the age of 19 are already receiving continuous eligibility and 16% would begin receiving 12 months of continuous eligibility. 101,150 ($120,417 * 84\%$) children under the age of 19 who are already receiving MO HealthNet for 12 continuous months would not be impacted by this bill. Therefore, FSD estimates 19,267 ($120,417 * 16\%$) children under the age of 19 will now be continuously eligible.

FSD estimated there would be approximately 120,417 children under 19 who would be eligible for 12 consecutive months under this legislation annually. MHD took this total and divided it by twelve to find a monthly amount to be equal to 10,035 ($120,417 / 12$). Based on previous data, MHD assumes approximately 84% of this population would not be affected because they have already been enrolled for longer than twelve months. This would make the new total 1,606 eligible ($10,035 * 16\%$).

Additionally, MHD assumes approximately 10% of this population would qualify for coverage under a Third Party Liability (TPL), and therefore, would not qualify for any additional coverage. This would make the final total eligible for each month to be 1,445 ($1,606 * 90\%$).

There will be increased capitated rates paid assuming all of these children will be in Managed Care. Also, there would be increased expenditures for all carved out services in the fee for service (FFS) population. MHD found the per member per month (PMPM) rate to be \$364.14 for children under age 19. MHD then ramped up the total population in the first year, assuming it would take a year to reach the annual population that this legislation affects. These costs would include MHD related expenditures for the Department of Mental Health (DMH) and Department of Health and Senior Services (DHSS).

FY21 (10 months): Total: \$23,678,385 (\$8,255,942 GR; \$15,422,442 Federal)
FY22: Total: \$74,192,273 (\$25,868,620 GR; \$48,323,653 Federal)
FY23: Total: \$75,770,832 (\$26,419,016 GR; \$49,351,816 Federal)

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by DSS for fiscal note purposes.

ASSUMPTION (continued)

In response to similar legislation earlier this year (HB 1670), officials from the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS** stated the Family Assistance Management Information Systems (FAMIS) and the Missouri Eligibility Determination and Enrollment System (MEDES) already have business rules in place to close a participant who moves out of state or reaches age nineteen.

However, in order keep benefits open for twelve months despite other household changes, FAMIS and MEDES would need eligibility determination changes as well as changes in the process used to pass benefit data to MHD. OA, ITSD/DSS also anticipates changes to be made to some of the existing, system generated forms and notices.

OA, ITSD/DSS assumes every new IT project/system will be bid out because all ITSD resources are at full capacity. IT contract rates for FAMIS are estimated at \$95/hour. It is assumed FAMIS modifications will require 388.8 hours for a cost of \$36,936 (388.8 * \$95) in FY 21. Ongoing system maintenance is estimated to be \$7,572 in FY 22 and \$7,761 in FY 23. The funds will be split 53% GR; 47% Federal.

Therefore, the total FAMIS upgrades will cost \$31,806 (\$10,814 GR; \$20,992 Federal) in FY 21; \$7,572 (\$4,013 GR; \$3,559 Federal) in FY 22; and \$7,761 (\$4,113 GR; \$3,648 Federal) in FY 23.

Modifications for the MEDES system must be performed by Redmane. Hourly IT costs under this contract vary by position title and work type. It is estimated to take 2,480 hours for a total cost of \$416,080 in FY 21 exclusively. The federal match rate will be 90% for design, development and implementation (DDI) under the CMS "Seven Conditions and Standards for Enhanced Funding".

Therefore, the total MEDES upgrades will be split \$41,608 GR; \$416,080 Federal in FY 21 exclusively.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by ITSD/DSS for this section for fiscal note purposes.

Officials from **DMH** state Subsection 7 is added to §208.151 to provide children under age 19 with 12 months of continuous MO HealthNet eligibility from the last day of the month of enrollment unless the child moves out of state or turns age 19. The anticipated fiscal impact to the Comprehensive Psychiatric Rehab (CPR), Comprehensive Substance Treatment and Rehabilitation (CSTAR) and Developmental Disabilities (DD) waiver services are included in the DSS estimate.

ASSUMPTION (continued)

Oversight notes DMH's deferral to DSS for a statement of fiscal impact; for fiscal note purposes, Oversight assumes no fiscal impact for DMH for this section.

§208.646 - Removes waiting period for coverage for CHIP 75 (225-300% FPL) children.

DSS states §208.646 is amended to remove the thirty-day waiting period for uninsured children in families with an income of more than two hundred twenty-five percent (225%) of the federal poverty level (FPL) and requires eligibility to begin at receipt of application for the Children's Health Insurance Program (CHIP).

In FY 19, the Family Support Division (FSD) approved 1,092 individuals who were subject to the 30-day waiting period after enrollment in MO HealthNet benefits. If the provisions of this bill are enacted, these individuals will become eligible for MO HealthNet coverage from the date of application.

FSD defers to OA-ITSD regarding costs associated with system changes necessary to implement the provisions of this bill.

FSD reviews applications and makes eligibility determinations. MO HealthNet Managed Care defers to FSD for operational impacts relating to waiting periods on applications and eligibility determinations.

There will be no fiscal impact to MO HealthNet Managed Care operations.

Currently, the thirty-day waiting period is required only for eligibles who are initially made eligible under the medical eligibility (ME) category 75 and not for eligibles transitioning from a different eligibility category. These eligibles must pay their premium before services are provided pursuant to 13 CSR 70-4.080(4)(E). When the premium is received, a capitated payment is made to a health plan.

For the purposes of this fiscal note, it is assumed all applications will be approvable upon receipt. MHD assumes that all premiums are paid within 30 days and assumes that 13 CSR 70-4.0804(E) is not revised.

Capitated Payments: With the above assumptions, there will be approximately one additional month of capitated payments made for new eligibles initially enrolled in the ME 75 eligibility category. In FY 19, 1,092 eligibles in this eligibility category were subject to the thirty-day waiting period. MHD assumes approximately the same number of eligibles will be in this category in subsequent years. The average Per Member Per Month (PMPM) capitation payment in FY 19 for these eligibles was \$179.23. Therefore, the fiscal impact would be \$195,719 (1,092 * \$179.23) annually.

ASSUMPTION (continued)

Carved-Out Services for Managed Care Eligibles: Managed Care members receive some of their services through the FFS program, e.g., pharmacy and some behavioral health. Since these eligibles currently do not have coverage in the first 30 days, a proxy for this cost was created using FFS claims for similar eligibility categories with lower income limits (CHIP ME Codes 73 and 74).

In FY 19, 19,249 claims were processed and paid through FFS for a total of approximately \$1,434,363. This total was divided by 12 to estimate one month of claims, or \$119,530. Therefore, MHD assumes the annual fiscal impact will be up to approximately \$120,000 for services that are carved out of Managed Care and covered under FFS.

If this legislation is passed, the CHIP State Plan will need to be amended to reflect new language.

Officials from DSS used the 5.1% medical care services inflation rate provided by the U.S. Bureau of Labor Statistics for December 2019 for future cost projections.

FY21 (10 month): Total: \$262,707 (\$91,598 GR; \$171,109 Federal)
FY22: Total: \$331,327 (\$115,524 GR; \$215,803 Federal)
FY23: Total: \$348,225 (\$121,416 GR; \$226,809 Federal)

DSS estimates the grand total of the proposed legislation to be:

FY21 (10 month): Total: \$23,941,093 (\$8,347,540 GR; \$15,593,551 Federal)
FY22: Total: \$74,523,600 (\$25,984,144 GR; \$48,539,456 Federal)
FY23: Total: \$76,119,057 (\$26,540,432 GR; \$49,578,625 Federal)

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by DSS for fiscal note purposes.

In response to similar legislation from earlier this year (HB 1272), **OA, ITSD/DSS** stated the MO HealthNet (MHN) system and MEDES will need to be updated in order to implement this section of the proposed legislation.

Although no additional software licenses, servers, processors, memory, SAN storage, etc. will be required to support the changes, MHN systems will need programming changes in order process the updated waiting period and non-payment penalty data that passes between it and MEDES. Other changes include CHIP premium invoicing, generation of accounts receivable, and provisions of coverage associated with CHIP 75 eligibility.

ASSUMPTION (continued)

Required MEDES updates include, but are not limited to: modifications to web services that call MHN Systems “failure to pay”; Curam display of failure to meet co-payment information including co-payment status; rules updated to remove the 30-day delay in starting CHIP 75 eligibility; system revisions to accommodate new verification types and system screens.

OA, ITSD/DSS assumes every new IT project/system will be bid out because all ITSD resources are at full capacity. IT contract rates for MHN systems are estimated at \$95/hour. It is assumed MHN systems modifications will require 432 hours for a cost of \$41,040 (432 * \$95) in FY 21. The federal match rate will be 90% for DDI under the CMS "Seven Conditions and Standards for Enhanced Funding".

Modifications for the MEDES system must be performed by Redmane. Hourly IT costs under this contract vary by position title and work type. It is estimated to take 2,700 hours for a total cost of \$461,700 in FY 21 exclusively. The federal match rate will be 90% for DDI under the CMS "Seven Conditions and Standards for Enhanced Funding".

Therefore, the total system upgrades will cost \$502,740 (MHN systems: \$4,104 GR; \$36,936 Federal; MEDES: \$46,170 GR; \$415,530 Federal) in FY 21 exclusively.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by ITSD/DSS for this section for fiscal note purposes.

Officials from **DMH** state \$208.646 is changed to remove the thirty day waiting period from the date of application for MO HealthNet coverage for children in families with income above 225% of the federal poverty level. Coverage will now begin on the date DSS receives the first premium payment, which could be less than 30 days from the application date. DSS estimates 1,092 children will be impacted by the change in a fiscal year. Of the total children impacted approximately 59 will be DMH consumers. DMH anticipates no fiscal impact due to this change.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the no fiscal impact assumed by DMH for this section for fiscal note purposes.

Responses regarding the proposed legislation as a whole

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal would have no direct impact to B&P, would not impact General and Total State Revenue or impact the calculation pursuant to Article X, Section 18(e).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the no fiscal impact assumed by B&P for fiscal note purposes.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Costs</u> - DSS (§208.151) Continuous eligibility program distributions p. 4	(\$8,255,942)	(\$25,868,620)	(\$26,419,016)
<u>Costs</u> - OA, ITSD (§208.151) Continuous eligibility system changes p. 5			
FAMIS system changes	(\$19,576)	(\$4,013)	(\$4,113)
MEDES system changes	<u>(\$41,608)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - OA, ITSD	<u>(\$61,184)</u>	<u>(\$4,013)</u>	<u>(\$4,113)</u>
<u>Costs</u> - DSS (§208.646) CHIP program distributions pp. 6-7	(\$91,598)	(\$115,524)	(\$121,416)
<u>Costs</u> - OA, ITSD (§208.646) CHIP system changes p. 8			
MHN systems	(\$4,104)	\$0	\$0
MEDES system changes	<u>(\$46,170)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - OA, ITSD	<u>(\$50,274)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$8,458,998)</u>	<u>(\$25,988,157)</u>	<u>(\$26,544,545)</u>
FEDERAL FUNDS			
<u>Income</u> - DSS (§208.151) Continuous eligibility program reimbursements p. 4	\$15,422,442	\$48,323,653	\$49,351,816
<u>Income</u> - OA, ITSD (§208.151) Reimbursement for FAMIS and MEDES system updates p. 5	\$391,832	\$3,559	\$3,648
<u>Income</u> - DSS (§208.646) Increase in CHIP program reimbursements pp. 6-7	\$171,109	\$215,803	\$226,809
<u>Income</u> - OA, ITSD (§208.646) Reimbursement for MHN and MEDES system updates p. 8	\$452,466	\$0	\$0

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
FEDERAL FUNDS (continued)			
<u>Costs</u> - DSS (§208.151) Continuous eligibility program distributions p. 4	(\$15,422,442)	(\$48,323,653)	(\$49,351,816)
<u>Costs</u> - OA, ITSD (§208.151) Continuous eligibility system changes p. 5			
FAMIS system changes	(\$17,360)	(\$3,559)	(\$3,648)
MEDES system changes	<u>(\$374,472)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - OA, ITSD	<u>(\$391,832)</u>	<u>(\$3,559)</u>	<u>(\$3,648)</u>
<u>Costs</u> - DSS (§208.646) Increase in CHIP program distributions pp. 6-7	<u>(\$171,109)</u>	<u>(\$215,803)</u>	<u>(\$226,809)</u>
<u>Costs</u> - OA, ITSD (§208.646) CHIP system changes p. 8			
MHN system changes	(\$36,936)	\$0	\$0
MEDES system changes	<u>(\$415,530)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - OA, ITSD	<u>(\$452,466)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2021 (10 Mo.)	 FY 2022	 FY 2023
	<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 that a child who is determined to be eligible for MO HealthNet benefits will remain eligible for benefits for 12 months after the last day of the month in which the child was enrolled in MO HealthNet, unless the child moves out of state or reaches 19 years of age (§208.151).

Currently, there is a 30-day waiting period before a child whose family has an income of more than 225% of the federal poverty level can be enrolled in the State Children's Health Insurance Program. This bill states that there will be no waiting period for enrollment in the program after receipt of an application for any child applicant eligible for the program, regardless of income level (§208.646).

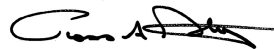
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Mental Health
Department of Social Services
Office of Administration - Division of Budget & Planning



Julie Morff
Director
February 21, 2020



Ross Strobe
Assistant Director
February 21, 2020