

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2836H.01I
Bill No.: HB 1305
Subject: Medicaid/MO HealthNet; Children and Minors
Type: Original
Date: March 5, 2025

Bill Summary: This proposal modifies provisions relating to MO HealthNet benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General	(\$13,176,077)	(\$13,823,985)	(\$14,704,819)
Total Estimated Net Effect on General Revenue	(\$13,176,077)	(\$13,823,985)	(\$14,704,819)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and expenses are estimated at \$14 million annually and net to zero.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§ 208.151 – Children under six enrolled in MO HealthNet to remain continuously enrolled until reaching age six

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state currently, the MHD covers children under age six with yearly redeterminations to begin after the Public Health Emergency ends. This legislation repeals § 208.151 and enacts a new section. The new section states that children under six years of age enrolled in MO HealthNet shall remain eligible and be continuously enrolled in such coverage until reaching six years of age without regard to changes in income or assets in their household. A waiver, State Plan Amendment (SPA) and Managed Care Organization (MCO) Contract Amendment would be needed for this legislation. Therefore, the MHD may not start seeing additional costs until the approval of the waiver, SPA amendment, and MCO Contract Amendment.

Per the Family Support Division (FSD), a grand total of 22,919 children under the age of six, who were no longer eligible in FY24, would now qualify for continued coverage under this legislation. For fiscal note purposes, the MHD projects this population for all future years. This legislation would have an impact on the existing Medicaid managed care capitation rates and enrollment levels for children under age six. The MHD estimates an actuarial cost of at least \$150,000 (50% GR; 50% Federal) to evaluate capitation rates in the initial year and anticipate annual rate updates will be necessary with an approximate cost of \$25,000 (50% GR; 50% Federal) per year.

The MHD found an average monthly capitation rate of \$206.01 for children ages one through five. The MHD assumes this population would have been eligible for at least part of the fiscal year, so therefore used an average of six months for each participant. There would also be a cost for carved-out services, which mainly includes Department of Mental Health (DMH) services as well as Pharmacy-related services. This would result in a cost in FY26 totaling \$35,803,721 for this population.

Oversight notes the \$35,803,721 FY 2026 total presented by MHD is the combined costs of the actuarial expense of \$150,000 (50% GR; 50% Federal) and the capitation rates of \$35,653,721 (35.56% GR; 64.44% Federal).

The **MHD** is using a 6.5% inflation rate for years FY27 and FY28.

FY26 Total: \$35,803,721 (GR: \$12,753,463; Federal: \$23,050,258)
FY27 Total: \$37,996,213 (GR: \$13,515,063; Federal: \$24,481,150)
FY28 Total: \$40,464,342 (GR: \$14,392,730; Federal: \$26,071,612)

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DSS, MHD.

Officials from the **DSS, Division of Legal Services (DLS)** estimates that it will require three (3) additional hearings officers to implement this legislation. This need stems from a likely increase in administrative appeals associated with the legislation's new requirements. The FSD estimates that an additional 22,919 participants would qualify for MO HealthNet services under this legislation. The MHD estimates that 5% of those newly qualified participants would seek an administrative hearing at some point during the year.

Given those estimates, DLS's hearings unit will need to adjudicate an additional 1,146 administrative hearings during the year. Given the hearings officer's normal caseload of 566 hearings, three (3) additional hearings officers will be needed to absorb this increase in hearings $[(22,919 * .05)/(566)] = 2.02 = 3$ new hearings officers (rounded up).

Oversight does not have information to the contrary. However, Oversight assumes the duties and responsibilities for 0.02 FTE could be absorbed by the additional 2 FTE (2.02 rounded down). Therefore, Oversight will reflect the estimates for 2 FTE for the DSS, DLS.

Officials from the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS** state updates to the Missouri Eligibility Determination and Enrollment System (MEDES) and Family Assistance Management Information Systems (FAMIS) would be required.

MO HealthNet coverage for children who receive coverage under disabled codes or specialized placements falls under the FAMIS application. 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 \$105/hour. It is assumed the necessary modifications will require 315.36 hours for a cost of \$33,113 ($315.36 * \105), split \$11,775 GR/\$21,338 Federal in FY 2026. Ongoing costs are estimated at \$6,788 (\$2,414 GR; \$4,374 Federal) in FY 2027 and \$6,958 (\$2,474 GR/\$4,484 Federal) in FY 2028.

MEDES currently provides eligibility determinations and case management functions for the family MO HealthNet programs and the Children's Health Insurance Program (CHIP) administered by the DSS Family Support Division using the Modified Adjusted Gross Income (MAGI) criteria established under the Patient Protection and Affordable Care Act of 2010 (ACA). IBM Curam is a commercial off-the-shelf (COTS) software package that provides the core eligibility determination and case management functionality for MEDES. The addition of § 208.151.8 will require significant modifications to MEDES.

MEDES will have to be modified to provide continuous coverage to children until they are age six, as opposed to one year, once determined eligible for Medicaid/MO HealthNet through an initial application or the most recent redetermination. This will include suppression of annual

reviews based on household composition (i.e. various ages of members of tax-filing household), and change in circumstances (e.g. increase in income) processing.

Required system changes include, but are not limited to:

- Maintain eligibility for children until they become age six regardless of income;
- Suppress triggering of the annual renewal process for cases that only contain individuals on Medicaid/MO HealthNet that are under the age of six. Renewal will still be needed for cases where there is a beneficiary age six or older.
- Establish tasks and transmit task records to the cloud-based task management system employed by MEDES to review eligibility or perform an annual review if one has not been completed on the case within the past year as children become age six.
- Modify triggers for the ex parte process when child turns six and income is over 133% of FPL.
- Create and modify notices to advise participants of the new eligibility rules pertaining to children under age six. Multiple notices will require modification including the notice of case action, the notice of adverse action and potentially others.
- Create and modify report(s) queries to accommodate the new policy changes associated with children under age six (e.g. may need case management reports listing cases over age six where the income is more than 133%, age out reports, etc.).
- Batch process will be updated for adverse action and closing processes, report generation and notice generation.

With some exceptions, systems modifications will be executed via a Project Assessment Quotation under the existing Redmane contract for MEDES Maintenance and Operations as an enhancement. Hourly IT costs under this contract vary by position title and work type. It is estimated to take 2,326.24 hours for a total cost of \$418,099 (\$148,676 GR; \$269,423 Federal) in FY 26 exclusively.

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

Officials from the **Office of Administration - Budget and Planning** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Costs – DSS, MHD (§ 208.151)</u>			
Capitation rates p. 3	(\$12,678,463)	(\$13,502,563)	(\$14,380,230)
Actuarial costs p. 3	(\$75,000)	(\$12,500)	(\$12,500)
Total <u>Costs</u> - DSS, MHD	(\$12,753,463)	(\$13,515,063)	(\$14,392,730)
<u>Costs – DSS, DLS (§ 208.151) p. 4</u>			
Personal service	(\$150,840)	(\$182,818)	(\$184,646)
Fringe benefits	(\$83,497)	(\$100,898)	(\$101,607)
Equipment and expense	(\$27,826)	(\$22,792)	(\$23,362)
Total <u>Costs</u> - DSS, DLS	(\$262,163)	(\$306,508)	(\$309,615)
FTE Changes	2 FTE	2 FTE	2 FTE
<u>Costs - OA, ITSD/DSS (§ 208.151)</u>			
FAMIS System p. 4	(\$11,775)	(\$2,414)	(\$2,474)
MEDES System p. 4-5	(\$148,676)	\$0	\$0
Total <u>Costs</u> - OA, ITSD/DSS	(\$160,451)	(\$2,414)	(\$2,474)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(\$13,176,077)	(\$13,823,985)	(\$14,704,819)
Estimated Net FTE Change on the General Revenue Fund	2 FTE	2 FTE	2 FTE
FEDERAL FUNDS			
<u>Income - DSS (§ 208.151) Program reimbursements for continuous enrollment p.</u>	\$23,341,019	\$24,485,524	\$26,076,096
<u>Costs – DSS, MHD (§ 208.151)</u>			
Capitation rates p. 3	(\$22,975,258)	(\$24,468,650)	(\$26,059,112)
Actuarial costs p. 3	(\$75,000)	(\$12,500)	(\$12,500)
Total <u>Costs</u> - DSS, MHD	(\$23,050,258)	(\$24,481,150)	(\$26,071,612)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<u>Costs - OA, ITSD/DSS (§ 208.151)</u>			
FAMIS System p. 4	(\$21,338)	(\$4,374)	(\$4,484)
MEDES System p. 4-5	(\$269,423)	\$0	\$0
Total <u>Costs</u> - OA, ITSD/DSS	(\$290,761)	(\$4,374)	(\$4,484)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small business medical practices may see increased business as a result of this proposal.

FISCAL DESCRIPTION

Subject to approval of a state plan amendment or waiver by the Centers for Medicare and Medicaid Services, every child under six years of age enrolled in MO HealthNet coverage after meeting the eligibility requirements for such coverage shall remain eligible and be continuously enrolled in such coverage until reaching six years of age without regard to changes in income or assets of the child's household. A parent or guardian of the child shall not be required to recertify eligibility or undergo any eligibility review for the child before the child's sixth birthday unless the child moved out of the state or the parent or guardian opted out of the coverage for the child at any point after the child's initial enrollment in the coverage. (§ 208.151)

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

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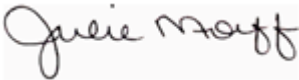
Page **8** of **8**

March 5, 2025

SOURCES OF INFORMATION

Department of Social Services

Office of Administration - Budget and Planning

A handwritten signature in black ink, appearing to read "Julie Morff".

Julie Morff

Director

March 5, 2025

A handwritten signature in black ink, appearing to read "Jessica Harris".

Jessica Harris

Assistant Director

March 5, 2025