

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2218-02  
Bill No.: HCS for HB 986  
Subject: Medicaid; Health Care; Social Services Department; Health Department  
Type: Original  
Date: April 9, 2013

Bill Summary: This proposal changes the laws regarding MO HealthNet.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Unknown, could exceed \$5,505,424)	(Unknown, could exceed \$7,655,160)	(Unknown, could exceed \$7,989,857)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown, could exceed \$5,505,424)</b>	<b>(Unknown, could exceed \$7,655,160)</b>	<b>(Unknown, could exceed \$7,989,857)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Other State	(\$4,635,402)	(\$6,469,363)	(\$6,755,253)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$4,635,402)</b>	<b>(\$6,469,363)</b>	<b>(\$6,755,253)</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 2014	FY 2015	FY 2016
Federal*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income and expenditures net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS)** did not provide a timely response to **Oversight's** request for a statement of fiscal impact. In all instances throughout this fiscal note, Oversight used DSS responses from similar legislation from the current session.

#### § 208.146 - Extension of Ticket-to-Work Program sunset:

Officials from the **DSS - Division of Finance and Administrative Services (DFAS)** stated in response to similar legislation from the current session (HB 985), this proposal merely extends an existing program. As such, there is no new cost.

**Oversight** assumes extending the Ticket to Work Program, rather than letting it sunset on August 28, 2013, will result in costs to the state. Funds that would have become available for other uses will, instead, be obligated to fund the program.

In response to HB 700 from the current session, DSS officials indicated a repeal of the Ticket to Work Program would result in savings to General Revenue (GR), Federal and Other State Funds of \$21,537,082 for the 10 months remaining in FY 14; savings for FY 15 were estimated to be \$30,210,844; and savings for FY 16 were estimated to be \$31,570,333. Oversight assumes the amount DSS assumed would be saved had the program been repealed is equal to the cost of extending the program. Therefore, Oversight will present costs to GR, Federal and Other Funds of \$21,537,082 for the 10 months remaining in FY 14; FY 15 costs of \$30,210,844; and FY 16 costs of \$31,570,333.

Officials from the **Department of Mental Health (DMH)** state the proposed legislation extends the sunset date for the Ticket-to-Work Health Assurance Program to August 28, 2019. The previous expiration date was August 28, 2013. Based on data acquired from the Department of Social Services (DSS) Monthly Management Report (Table 23), the February, 2013 monthly cost for DMH services was approximately \$1,092,000 for approximately 436 clients. This data, annualized, results in a yearly total cost of approximately \$13,100,000. Of this, approximately \$8,100,000 would be federal cost and approximately \$5,000,000 would be state cost. Based on the current expiration date of August 28, 2013, FY14 would reflect 10 months of costs.

These costs would be DMH costs. DMH assumes that these costs are not included in the DSS estimate of costs.

Per discussion with DSS officials, DMH Ticket to Work costs have been included in DSS figures. For fiscal note purposes, **Oversight** will only present DSS costs.

ASSUMPTION (continued)

§ 208.151 - Extended coverage for foster care children to age 26:

Officials from the **DSS - DFAS** stated in response to similar legislation from the current session (HB 731), that based on the number of children in foster care who are 20 years old (376), the DSS expects to provide coverage for 1,880 new people (estimated 376 people per year ages 21 -26). The cost per month of care averages \$291, resulting in a monthly cost of \$547,080 and an annual cost of \$6,564,960 ( $\$547,080 \times 12$ ) to cover 21- 26 year-olds who have aged out of foster care.

FY 14 is 9 months coverage ( $\$6,564,960/12 = \$547,080$  monthly cost x 9 months = \$4,923,720). FY 15 and FY 16 include an inflationary increase of 4% on a **calendar year basis**.

$[\$6,564,960/2 = \$3,282,480; (\$3,282,480 \times 1.04\% = \$3,413,779); \$3,282,480 + \$3,413,779 = \$6,696,259$  for FY 15];

FY 16 =  $\$6,696,259 \times 1.04\% = \$6,964,110$ .

The funding for FY 14 through FY 17 is split using the FMAP match rate (61.865%); however, if Medicaid expansion should pass, then there would be no impact to state funds as the program would be 100% federally funded for FY 14 through FY 16.

§§ 208.990 and 208.995 - The Show-Me Transformation Act:

Officials from the **DSS - DFAS** stated in response to similar legislation (HB 700) that implementation of coverage for the expansion groups outlined in Section 208.995.3 (subsection 2 for this HCS HB 896) is contingent on the federal government providing reimbursement at the enhanced matching rate. Based on CMS guidance to states, the federal government will not approve a waiver at the enhanced matching rate for coverage at any level below 138% FPL. Therefore, DSS assumes coverage will not be expanded, and there will be no fiscal impact.

DSS officials stated using the Modified Adjusted Gross Income (MAGI) standard to determine income eligibility may cause some people who were previously eligible to be ineligible and vice versa. For example, in the future, child support income will not count, but step-parent income will. DSS believes these changes will balance each other and not result in significant savings or new costs.

§ 208.993 - MO HealthNet Transformation Task Force:

Officials from the **DSS - DFAS** stated in response to the earlier version of this proposal, that this proposal establishes the MO HealthNet Transformation Task Force in the DSS to make

recommendations for improvements to the state medical assistance health care delivery system.  
ASSUMPTION (continued)

The Director of the DSS is a member. The task force must meet quarterly and prepare a report, including recommendations and a statewide plan, each year until 2024, when the task force expires. Members shall be reimbursed for expenses directly related to the performance of task force duties.

The task force is charged with reporting to the General Assembly on improvements that can be made to the state medical assistance health care delivery system, including:

- Efficient and cost effective ways to provide coverage;
- How coverage can resemble commercially available health plans;
- Promoting healthy behavior and early preventative care;
- How to provide incentives;
- Encouragement of cost effective delivery of care; and,
- Transitioning to private sector health coverage.

The task force will need to engage outside assistance to study and evaluate these technical issues. This may involve contracting with a university, health care research group or actuary. This is not expertise that is available within the Department and could be costly.

DSS estimates the annual cost for operation of the task force, including administrative costs, report production and other activities to support the task force, will be \$500,000 (50% General Revenue and 50% Federal Funds).

**Oversight** assumes DSS, some other state agency, or the federal government has already looked into/researched some of the issues presented by DSS in their assumptions above and the cost of the task force will not be \$500,000 annually. Oversight, therefore, assumes the expenditures for the task force will be unknown, but could exceed \$100,000 annually.

Officials from the **DMH** state this proposal establishes the MO HealthNet transformation task force. There is no fiscal impact to DMH.

Bill as a whole:

Officials from the **Department of Health and Senior Services (DHSS)** provide the following assumptions:

ASSUMPTION (continued)

Services for New Participants:

The Division of Senior and Disability Services (DSDS) does not have the information to calculate the number of new participants who will access Home and Community Based Services (HCBS) as a result of this proposal. For each new participant, the average annual cost for FY 2014 is estimated at \$11,381. The current appropriations for Medicaid Home and Community Based (HCB) Services are included in the DHSS/DSDS budget.

Assessment and Reassessment Costs:

Each new participant in Home and Community Based (HCB) Services would receive a prescreen, an initial assessment, and an annual reassessment in subsequent years. Each prescreen takes an average of one hour to complete. Each assessment takes an average of two hours to complete. DHSS will require additional staff to complete assessments and reassessments on the newly eligible individuals. DHSS estimates that 1 FTE is required to complete 2,080 prescreens and 1 FTE is required to complete 1,040 assessments/reassessments per year.

The fiscal impact of this proposal is unknown.

**Oversight** assumes the number of new prescreening and assessments for HCB services the DHSS would be required to perform would be absorbable within their current appropriation level. However, if the number of new recipients of HCB services were to increase significantly, the DHSS could request additional funding through the appropriations process.

Officials from the **DMH** state DMH costs and/or cost savings for changes (other than Ticket to Work) will be included in DSS costs and/or cost savings to the MO HealthNet program.

Officials from the **Office of 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 Secretary of State's office 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 this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized 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 within its 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.

HWC:LR:OD

ASSUMPTION (continued)

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 Administration - Division of Budget and Planning** and the **Office of the Governor** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DSS</u>			
Task force operations costs (§ 208.993)	(Unknown, could exceed \$50,000)	(Unknown, could exceed \$50,000)	(Unknown, could exceed \$50,000)
Extension of the ticket to work program (§ 208.146)	(\$4,347,229)	(\$6,098,015)	(\$6,372,426)
MO HealthNet coverage for 21-26 year old foster care children (§ 208.151)	<u>(\$1,108,195)</u>	<u>(\$1,507,145)</u>	<u>(\$1,567,431)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(Unknown, could exceed \$5,505,424)</u></b>	<b><u>(Unknown, could exceed \$7,655,160)</u></b>	<b><u>(Unknown, could exceed \$7,989,857)</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Costs - DSS</u>			
Ticket to work program expenditures (§ 208.146)	(\$3,865,937)	(\$5,422,890)	(\$5,666,921)
MO HealthNet coverage for 21-26 year old foster care children (§ 208.151)	<u>(\$769,465)</u>	<u>(\$1,046,473)</u>	<u>(\$1,088,332)</u>
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<b><u>(\$4,635,402)</u></b>	<b><u>(\$6,469,363)</u></b>	<b><u>(\$6,755,253)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>FEDERAL FUNDS</b>			
<u>Income - DSS</u>			
Program reimbursements (§ 208.993)	Unknown, could exceed \$50,000	Unknown, could exceed \$50,000	Unknown, could exceed \$50,000
Program reimbursements (§ 208.146)	\$13,323,916	\$18,689,939	\$19,530,986
Program reimbursements (§ 208.151)	\$3,046,060	\$4,142,641	\$4,308,347
<u>Costs - DSS</u>			
Program expenditures (§ 208.993)	(Unknown, could exceed \$50,000)	(Unknown, could exceed \$50,000)	(Unknown, could exceed \$50,000)
Program expenditures (§ 208.146)	(\$13,323,916)	(\$18,689,939)	(\$19,530,986)
Program expenditures (§ 208.151)	<u>(\$3,046,060)</u>	<u>(\$4,142,641)</u>	<u>(\$4,308,347)</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 2014 (10 Mo.)	FY 2015	FY 2016
	<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

This proposal extends the provisions regarding the Ticket to Work Health Assurance Program from August 28, 2013, to August 28, 2019.

This proposal expands MO HealthNet benefit eligibility to a person who is in foster care on his or her eighteenth birthday and is less than 26 years of age, is not eligible for coverage under another mandatory coverage group, and was not covered by Medicaid while in foster care.

FISCAL DESCRIPTION (continued)

This proposal establishes the 16-member MO HealthNet Transformation Task Force in the Department of Social Services. The members are as follows: (1) The Director of the Department of Social Services, or his or her designee; (2) The Director of the Department of Health and Senior Services, or his or her designee; (3) The Director of the Department of Mental Health, or his or her designee; (4) Four members of the House of Representatives, including two from each political party; (5) Four members of the Senate, including two from each political party; and (6) Five members from the Missouri health care community who must be appointed by the Governor with Senate approval.

The task force must make recommendations in a report to the General Assembly on improvements that can be made to the state medical assistance health care delivery system. The report must include, but not be limited to: (1) Advice on more efficient and cost-effective ways to provide coverage for MO HealthNet participants; (2) An evaluation of how coverage for MO HealthNet participants can resemble that of commercially available health plans while complying with federal Medicaid requirements; (3) Possibilities for promoting healthy behavior by encouraging patients to take ownership of their health care and seek early preventative care; (4) Advice on the best manner in which to provide incentives, including a shared risk and savings to health plans and providers to encourage cost-effective delivery of care; and (5) Ways that individuals who currently receive medical care coverage through the MO HealthNet Program can transition to obtaining their health coverage through the private sector.

The task force must meet at least quarterly and annually submit by December 31 its recommendations and statewide plan for improvements to the MO HealthNet plan to the Governor, General Assembly, and director of the Department of Social Services. Members of the task force cannot receive any additional compensation but must be eligible for reimbursement for expenses directly related to the performance of task force duties.

The provisions of the proposal expire May 31, 2024.

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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SOURCES OF INFORMATION

Department of Mental Health  
Department of Health and Senior Services  
Department of Social Services -  
    Division of Finance and Administrative Services  
Office of the Governor



Ross Strobe  
Acting Director  
April 9, 2013