

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5690-01
Bill No.: HB 1785
Subject: Disabilities; Elderly; Medicaid; Social Services Department
Type: Original
Date: March 28, 2014

Bill Summary: This proposal requires the MO HealthNet Division to seek an amendment to the Home- and Community-based waiver to allow structured family caregiving to be a covered service.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$135,000)	(Up to \$212,741,278)	(Up to \$218,855,838)
Total Estimated Net Effect on General Revenue Fund	(\$135,000)	(Up to \$212,741,278)	(Up to \$218,855,838)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income, savings, revenues and losses exceed \$400,000,000 annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§208.895 and 208.896 - Structured Family Caregiving

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

Section 208.895

The proposed legislation does not specify as to which Home- and Community-Based Services (HCBS) waiver(s) could be affected. For fiscal note purposes, the Division of Senior and Disability Services (DSDS) assumes the Aged and Disabled Waiver (ADW), Independent Living Waiver (ILW), Medically Fragile Adults Waiver (MFAW), and AIDS Waiver would have the structured family caregiver service added.

DSDS utilized the numbers of individuals authorized under each of the waiver programs in FY13 as follows:

Waiver	Authorized Participants
Aged and Disabled Waiver	17,539
Independent Living Waiver	145
Medically Fragile Adults Waiver	144
AIDS Waiver	120
TOTAL PARTICIPANTS	17,948

Section 208.896.1.

For fiscal note purposes, DSDS assumes structured family caregiving would be available to all of the individuals listed above and that two or more caregivers for each participant would require training. DSDS suspects that additional individuals will opt for structured family caregiver, though an estimate cannot be given at this time, driving an increase in costs.

Changes will be required to the HCBS web tool system in which HCBS assessments are completed and HCBS authorizations are approved. Using a similar recent change, where an HCBS waiver was added, DSDS estimates the cost to be at least \$200,000, paid at the administrative match rate of 50 percent General Revenue and 50 percent Federal. The changes would be completed in FY 2015 in preparation for implementation on July 1, 2015.

ASSUMPTION (continued)

Sections 208.896.3(1) and (3)

Training standards and credentialing criteria for caregivers and agencies would be developed and implemented by DSDS staff. DSDS would conduct train-the-trainer sessions for organizations serving as structured family caregiver agencies, at an unknown cost to the division. DSDS is not able to accurately determine the number of organizations that would enroll as structured family caregiver agencies and the number of individuals who would require training. However, in FY13, there were 602 HCBS providers. If each provider agency sends three individuals to train-the-trainer events, a total of 1,806 individuals would require training. Each session would last at least one day, with class sizes of no more than 50 per session. This would require 36 training sessions, and 288 hours of staff time spent on in-class training. In addition, each training would require preparation and travel time of approximately three hours, requiring an additional 108 hours for a total of 396 hours. Since this is less than one-quarter of an FTE, DSDS would absorb the duties and associated costs; however, if the demand for training increases dramatically, DSDS would pursue funding through the appropriations process.

Section 208.896.3.(4)

For fiscal note purposes, DSDS calculated the daily rate based on the cost cap amount for HCBS which is \$3,011 per month, or \$98.99 per day ($\$3,011 \times 12 \text{ months} \div 365 \text{ days} = \$98.99/\text{day}$). Because HCBS cannot exceed this rate, DSDS assumes this amount will be set as the daily rate. It is important to note that if a participant has structured family caregiver services every day of the year at this rate, they would not be allowed to utilize any other HCBS.

An annual increase in the cost cap rate of 2.87 percent is estimated based on the previous five-year average resulting in a daily rate at implementation in FY16 of \$104.75 ($\$98.99 \times 1.0287 \text{ (FY15)} \times 1.0287 \text{ (FY16)} = \104.75). The estimated daily rate for FY17 is \$107.76 ($\$104.75 \times 1.0287 = \107.76). This rate would cover both payments to caregivers and payments to provider agencies for professional support services.

Section 208.896.4.(1)

Submission and approval of amendments to the each of the waivers would be required by the Centers for Medicare and Medicaid (CMS) prior to implementation, no later than July 1, 2015. These duties would be absorbed by existing DHSS staff.

Section 208.896.4.(2)

DHSS would be required to develop criteria, regulations, and policies for structured family caregiver agencies for staffing, quality, qualification, and training standards. These duties would be absorbed by existing DSDS staff.

ASSUMPTION (continued)

Cost of Services

DSDS estimates the cost of structured family caregiver at (Unknown to \$686,219,345) in FY16 (17,948 participants X 365 X \$104.75) and (Unknown to \$705,937,915) in FY17 (17,948 participants X 365 X \$107.76). MO HealthNet covered services are reimbursed at the Federal Medical Assistance Percentage (FMAP). The FY15 blended FMAP rate of 36.905 percent General Revenue and 63.095 percent Federal was used to prepare this cost estimate. The estimated reimbursement amounts for structured family caregiver calculated for FY16 and FY17 were multiplied by the number of participants in each waiver (FY13) and the current blended FMAP rate applied.

	Participants	FY16 Family Caregiver Daily Rate	FY16 Estimated Annual Cost	FY17 Family Caregiver Daily Rate	FY17 Annual Cost
ADW	17,539	\$104.75	\$670,581,741	\$107.76	\$689,850,964
ILW	145	\$104.75	\$5,543,894	\$107.76	\$5,703,198
MFAW	144	\$104.75	\$5,505,660	\$107.76	\$5,663,866
AIDS	120	\$104.75	\$4,588,050	\$107.76	\$4,719,888
TOTAL	17,948		\$686,219,345		\$705,937,915
GR			\$ 253,249,249		\$ 260,526,388
FED			\$ 432,970,096		\$ 445,411,527

Offsetting Savings

Since the daily rate for structured family caregiver would be the maximum amount per participant per day, there would be waiver services participants could no longer use. Because each of the waivers has a different average cost per participant, driven by different services offered in each waiver, the amounts were calculated separately. The estimated average annual cost per participant for FY14 for each group was used to calculate the FY14 total cost for waiver services and the total multiplied by the average annual growth in the cost cap of 2.87 percent. The FY15 blended FMAP rate was applied to the total estimated cost waiver services for FY16 and FY17. This is the amount of the maximum estimated savings.

ASSUMPTION (continued)

	Participants	FY16 Estimated Waiver Savings	FY17 Estimated Waiver Savings
ADW	17,539	\$105,815,700	\$108,852,611
ILW	145	\$1,980,137	\$2,036,967
MFAW	144	\$1,483,221	\$1,525,789
AIDS	120	\$483,770	\$497,654
TOTAL	17,948	\$109,762,828	\$112,913,021
GR		\$40,507,971	\$41,670,550
FED		\$69,254,857	\$71,242,471

Net Effect

Federal matching funds would be utilized as offset for 64.29 percent of the costs. For the purposes of this estimate, the number of participants in each waiver has no caseload growth factor applied. However, DSDS assumes that there will be growth in some, if not all of these waivers. Using the static number of 17,948 waiver participants, the net effect is noted below.

	FY 2016			FY 2017		
	GR	FED	TOTAL	GR	FED	TOTAL
Estimated Cost	(\$253,249,249)	(\$432,970,096)	(\$686,219,345)	(\$260,526,388)	(\$445,411,527)	(\$705,937,915)
Maximum Savings	\$40,507,971	\$69,254,857	\$109,762,828	\$41,670,550	\$71,242,471	\$112,913,021
Subtotal Federal Match	(\$212,741,278)	(\$363,715,239)	(\$576,456,517)	(\$218,855,838)	(\$374,169,056)	(\$593,024,894)
		\$363,715,239	\$363,715,239		\$374,169,056	\$374,169,056
Net Effect	(\$212,741,278)	\$0	(\$212,741,278)	(\$218,855,838)	\$0	(\$218,855,838)

ASSUMPTION (continued)

TOTAL COST

DSDS is unable to determine the exact cost of the proposal due to the following unknown factors:

- If CMS would approve waiver amendments to add structured family caregiver;
- Which of the five HCBS waivers would have structured family caregiver services added;
- The number of participants who would opt for structured family caregiver;
- The amount of units of structured family caregiver each participant would use;
- The number of additional participants who would be added to the waivers;
- The number of providers who would participate as structured family caregiver agencies; and
- The number of individuals each provider would have participate in train-the-trainer programs.

Therefore, the estimated total fiscal impact of this fiscal note is (\$100,000) in FY15; (Unknown to \$212,741,278) in FY16 and (Unknown to \$218,855,838) in FY17.

Officials from the **Department of Social Services - MO HealthNet Division (MHD)** state officials from the Department of Health and Senior Services (DHSS) stated that their response includes costs that are covered under their respective budget. Therefore, only those medical costs that are in the DSS budget are reported here.

This proposal requires MHD to seek an amendment to the home- and community-based waiver to allow structured family caregiving to be a covered service. MHD assumes that a new provider type will need to be added in order to properly track and report this new service. This will be worked on by Medicaid Management Information Systems (MMIS) and Wipro (DSS' contractor). This is estimated to require 500 hours of work. Other costs will include adding the new service to Cognos (data reporting tool), finance reports, and Centers for Medicare and Medicaid Services (CMS) reports which accounts for 100 hours of work. There will also need to be a System Task Request (STR) completed through Wipro in order for system changes to take place which is an additional 100 hours of work. 700 total hours is the estimated time needed to make the necessary system modifications (500+100+100). MHD uses \$100/hour to account for the changes and updates. This will cost MHD \$70,000. There are no ongoing costs for MHD.

FY 15: \$70,000 (\$35,000 GR; \$35,000 Federal)

FY 16: \$0;

FY 17: \$0.

HWC:LR:OD

ASSUMPTION (continued)

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.

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 **Department of Mental Health** assume the proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Savings - DHSS (208.896)</u>			
HCBS discontinued	\$0	Up to \$40,507,971	Up to \$41,670,550
<u>Costs - DSS-MHD (§208.896)</u>			
MMIS and reporting modifications	(\$35,000)	\$0	\$0
<u>Costs - DHSS (208.896)</u>			
WebTool changes	(\$100,000)	\$0	\$0
Structured Family Caregiver Services	<u>\$0</u>	<u>(Up to \$253,249,249)</u>	<u>(Up to \$260,526,388)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$135,000)</u>	<u>(Up to \$212,741,278)</u>	<u>(Up to \$218,855,838)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
FEDERAL FUNDS			
<u>Income - DSS-MHD (\$208.896)</u>			
Program reimbursements	\$35,000	\$0	\$0
<u>Income - DHSS (\$208.896)</u>			
Structured Family Caregiver Services reimbursement	\$0	Up to \$432,970,096	Up to \$445,411,527
WebTool changes	<u>\$100,000</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Income</u> - DHSS	<u>\$100,000</u>	<u>Up to \$432,970,096</u>	<u>Up to \$445,411,527</u>
<u>Savings- DHSS</u>			
Reduction in HCBS expenditures	\$0	\$69,254,857	\$71,424,471
<u>Costs - DSS-MHD (\$208.896)</u>			
Program expenditures	(\$35,000)	\$0	\$0
<u>Costs - DHSS (\$208.896)</u>			
Structured Family Caregiver Services expenditures	\$0	(Up to \$432,970,096)	(Up to \$445,411,527)
WebTool changes	<u>(\$100,000)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - DHSS	<u>(\$100,000)</u>	<u>(Up to \$432,970,096)</u>	<u>(Up to \$445,411,527)</u>
<u>Loss - DHSS (\$208.896)</u>			
Reduction in HCBS reimbursements	<u>\$0</u>	<u>(\$69,254,857)</u>	<u>(\$71,424,471)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may negatively impact small business home- and community-based service providers by reducing the number of participants they serve.

FISCAL DESCRIPTION

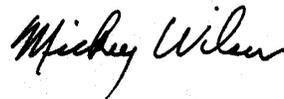
This proposal adds structured family caregiving as a covered service under the MO HealthNet Home- and Community-based Services (HCBS) waivers.

The MO HealthNet Division will apply to the U.S. Secretary of Health and Human Services for an amendment of the home- and community-based waiver for the purpose of including structured family care giving as a covered service for eligible recipients.

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 Health and Senior Services
Department of Social Services -
MO HealthNet Division
Joint Commission on Administrative Rules
Office of Secretary of State



Mickey Wilson, CPA
Director
March 28, 2014

Ross Strope
Assistant Director

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