

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4941-01
Bill No.: SB 1049
Subject: Medicaid; Disabilities; Social Services Department; Health Care; Health, Public
Type: Original
Date: February 27, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(Less than \$6,581,862)	(Less than \$6,869,582)	(Less than \$7,173,751)
Total Estimated Net Effect on General Revenue Fund	(Less than \$6,581,862)	(Less than \$6,869,582)	(Less than \$7,173,751)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and costs of approximately \$10,000,000 would net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Educations (DESE)** defers to the Department of Social Services for fiscal impact.

Officials from 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 proposal. SOS is provided with core funding to handle a certain amount of normal activity resulting from each years legislative session. The fiscal impact for Administrative Rules is less than \$1,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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 our office can sustain with our core budget. Therefore, 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 **Office of Attorney General (AGO)** state proposal makes changes to eligibility requirements for the former MAWD program. AGO assumes any potential costs

ASSUMPTION (continued)

arising with the creation and implementation of this program can be absorbed with existing resources.

However, the AGO further assumes that because the it is responsible for defending such legislation in constitutionality claims, AGO assumes that the nature of these provisions could create a fiscal impact. As a result, AGO assumes costs are unknown, but under \$100,000.

Officials from the **Department of Health and Senior Services (DOH)** state in determining the fiscal impact of this proposal, the DOH, Division of Senior Services and Regulation has made the following assumptions:

The Department of Social Services will calculate the fiscal impact associated with determining eligibility under the new requirements; the cost of services for the new group of eligible recipients, and the cost of any administrative hearings regarding denial of eligibility.

The Department of Social Services, Family Support Division has provided information that this legislation would result in an estimated 1,800 new MAWD (Medical Assistance for the Working Disabled) eligibles for purposes of determining eligibility for Medicaid (public assistance) as a result of the proposed legislation. Of these eligibles, 664 are currently receiving Medicaid through spend-down and thus would already be included in the 1,800 clients. Therefore, the number of new eligibles is estimated to be 1,136 (1,800 - 664).

In FY05 the Division of Senior and Disability Services served 1,071 MAWD clients in its in-home services program and 719 MAWD clients in its consumer directed services program (transferred under Executive Order from the Department of Elementary and Secondary Education, Division of Vocational Rehabilitation to the DOH, Division of Senior and Disability Services) for a total of 1,790 clients out of the total 16,962 total MAWD population (number of eligibles when the program was discontinued in FY 06 as reported by the Family Support Division) giving the division a participation rate of 10.6% of all MAWD clients that are served by the division and who need either in-home services or consumer directed services.

The Department of Social Services, Family Support Division reports that there would be an estimated 1,136 new MAWD eligibles as a result of this proposed legislation. Applying the Division's participation rate of 10.6% to the 1,136 new eligibles will result in 120 (1,136 x 10.6%) additional Medicaid recipients that will access home care or consumer directed care. The DOH will need to provide case management for new clients participating in the in-home services or consumer directed services program. (Please note the Department of Social Services will

ASSUMPTION (continued)

include costs for services for the new eligibles including the cost of in-home services or consumer directed services.)

Currently, caseloads for Division's Social Services Workers average 178 (49,419/277). Pursuant to 660.021 RSMo, the Caseload Standards Advisory Committee recommended that caseloads should be no more than a recommended 80 per worker. Previously, the division requested additional staff in an effort to reduce average caseloads to at least 100 per Social Service worker.

Keeping with the previous request to reduce caseloads to 100 per worker, the division will require 1 Social Service Worker positions to case manage the new MAWD eligibles and the new Medicaid eligibles as a result of exempting sheltered workshop income ($120/100=1$).

Social Service Worker duties include the responsibility for the investigation of hotlines, eligibility determination and authorization of state-funded in-home services; care plan management, and provide oversight and accountability for the performance of the Social Service Workers including case review, evaluation, and guidance.

Oversight has, for fiscal note purposes only, changed the starting salary for the DOH position to correspond to the first step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials from the **Department of Mental Health (DMH)** state the fiscal impact to the DMH is included in the Department of Social Services fiscal note response since it includes MA-WD eligibles served by DMH.

Officials from the **Department of Social Services - Family Support Division (FSD)** state there are three different sub-populations impacted by this proposal: (1) Old MA-WD only, (2) Spenddown met, and (3) Spenddown not met. FSD estimates there will be 1,800 eligibles. FSD assumes any additional staffing needs will be absorbed by the FSD.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** that this proposal will have a fiscal impact on the DMS.

DMS states the count of eligibles was provided by the Family Support Division.

DMS states the average cost/eligible is based on the FY 05 expenditures for the MA-WD

CM:LR:OD (12/02)

ASSUMPTION (continued)

category of eligibles reported on Table 23 - Missouri Medicaid Recipients and Payments. This cost includes NF, hospital, dental, pharmacy, physician, in-home, rehab & specialty and mental health services. The pharmacy costs have been adjusted to account for the Medicare Part D program.

A 4.5% inflation adjustment was made for each fiscal year.

FY 07, FY 08 and FY 09 are based on 12 months of costs. Section B is an emergency clause with an effective date of July 1, 2006.

DMS assumes individuals would be eligible for this program under one of three scenarios/groups if this legislation passes.

Group 1: Old MA-WD Only - 664 individuals.

DMS assumes individuals are not currently participating in the Medicaid program. The cost is equal to the average cost per eligible. The cost is $664 \times \$1,142.80 = \$758,819.20$ month or \$9,105,830 annual.

However, the cost will be offset by the premium. The average premium for this group is expected to be \$59. Premium collections total $664 \times \$59 = \$39,176$ month or \$470,112 annually.

Group 2: Currently meeting spenddown but their premium will be lower than current spenddown. - 594 individuals.

Assume currently in the Medicaid program and meeting spenddown. The cost for this group will be the loss of the spenddown. Spenddown can be met in one of two ways: pay-in or meet with medical bills. The last 3-month average of those meeting spenddown 35% met with bills and 65% met by pay-in.

Assume higher cost to Medicaid for those now meeting spenddown with medical bills. The average spenddown for this group is \$273.28. Cost calculation - $594 \times 35\% = 208$ individuals. $208 \times \$273.28 = \$56,842.24$ month/\$682,107 year.

The cost will be offset by the premium. The average premium for this group is \$86.45. The cost is $208 \times \$86.45 = \$17,981.60$ month or \$215,779 for 12 months.

For individuals who currently pay-in, the DMS will experience a cost because their current average spenddown is more than the average premium. The average spenddown is \$273.28 while the average premium is \$86.45 a difference of \$186.83.

CM:LR:OD (12/02)

ASSUMPTION (continued)

$594 \times 65\% = 386 \times \$186.83 = \$72,116.38$ month and an annual cost of \$865,397.

Group 3: Currently not meeting spenddown but their premium will be lower than current spenddown - 542 individuals.

Assumption is the individuals in this group will participate in Medicaid because their premiums will be lower than their current spenddown amount. The cost is equal to the average cost per eligible. The cost is $542 \times \$1,142.80 = \$619,397.60$ /month or \$7,432,771 for 12 months.

The cost will be offset by the premiums collected. The average premium for this group is \$90.78. The collections is $542 \times \$90.78 = \$49,202.76$ for a month and an annual collections of \$590,433.

The fiscal impact is \$16.8 million for FY 07, \$17.6 million for FY 08 and \$18.4 million for FY 09.

Section 208.146.9 states any person who knowingly provides false documentation when applying for or receiving medical assistance shall be subject to all remedies and sanctions permitted under federal and state law and shall be permanently barred from participation in any state-funded medical assistance program. DMS states federal law does not permit permanently barring individuals from participation in the Medicaid program.

DMS assumes the State would continue to receive federal funding and Section 208.146.9 would not be enforced. This assumption is based on an earlier court case in which state law was in conflict with federal law. The United States District Court case of the Department of Social Services vs. the Secretary of Health and Human Services states "if the State of Missouri chooses to accept federal funds pursuant to Title XIX, it must provide funding for abortions terminating pregnancies resulting from rape and incest as well as those necessary to save the life of the pregnant woman".

Officials from the **Department of Social Services - Division of Legal Services (DLS)** assume 10% of the projected population would ask for a hearing. DLS assumes the additional work could be absorbed with existing hearing officers and support staff.

<u>FISCAL IMPACT - State Government</u>	FY 2007	FY 2008	FY 2009
 GENERAL REVENUE			
 <u>Costs - Office of Attorney General</u>			
Program costs	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
 <u>Costs - Department of Health and Senior Services</u>			
Personal Services (1 FTE)	(\$13,220)	(\$13,789)	(\$14,133)
Fringe Benefits	(\$5,825)	(\$6,075)	(\$6,227)
Expense and Equipment	<u>(\$7,861)</u>	<u>(\$4,290)</u>	<u>(\$4,419)</u>
	(\$26,906)	(\$24,154)	(\$24,779)
 <u>Cost - Department of Social Services - Division of Medical Services</u>			
Program costs	<u>(\$6,454,956)</u>	<u>(\$6,745,428)</u>	<u>(\$7,048,972)</u>
 ESTIMATED NET EFFECT ON GENERAL REVENUE	 <u>(\$6,581,862)</u>	 <u>(\$6,869,582)</u>	 <u>(\$7,173,751)</u>
 FEDERAL			
 <u>Income -Department of Health and Senior Services</u>			
Program Reimbursements	\$31,587	\$28,982	\$29,089
 <u>Income - Department of Social Services - Division of Medical Services</u>			
Program reimbursements	\$10,354,825	\$10,820,794	\$11,307,730
 <u>Costs - Department of Health and Senior Services</u>			
Personal Services (3 FTE)	(\$15,520)	(\$16,187)	(\$16,591)
Fringe Benefits	(\$6,838)	(\$7,132)	(\$7,310)
Expense and Equipment	<u>(\$9,229)</u>	<u>(\$5,663)</u>	<u>(\$5,188)</u>
	(\$31,587)	(\$28,982)	(\$29,089)

Cost - Department of Social Services -
 Division of Medical Services

Program costs	<u>(\$10,354,825)</u>	<u>(\$10,820,794)</u>	<u>(\$11,307,730)</u>
---------------	-----------------------	-----------------------	-----------------------

**ESTIMATED NET EFFECT ON
 FEDERAL FUNDS**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
------------	------------	------------

FISCAL IMPACT - Local Government

FY 2007	FY 2008	FY 2009
---------	---------	---------

<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.

DESCRIPTION

This proposal establishes the Disabled Employee's Health Assistance Program (DEHAP), which is authorized by the federal Ticket to Work and Work Incentives Improvement Act.

This proposal allows Medicaid eligibility for an employed person who meets the definition of disabled, satisfies asset limits, and who has an annual income of up to 250 percent of the federal poverty level.

The asset limit for the new program is the same as that for the Medical Assistance – Permanently and Totally Disabled (MA-PTD) program, currently \$999.99 for a single person and \$2,000 for a couple with the standard exemptions. The individual must have a gross income of 250 percent or less of the federal poverty level. Individuals with gross income in excess of one hundred percent of the federal poverty level shall pay a specified monthly premium for participation. For income to qualify as earned income for the purposes of this program, the individual must demonstrate that Social Security and Medicare taxes are paid on the earnings.

If an individual's employer offers health insurance that is more cost effective, the individual shall participate in the employer-sponsored insurance. The Department of Social Services, however, will be responsible for costs associated with the employer insurance.

Any person who applies for or receives medical assistance under this section who knowingly provides false documentation required for eligibility shall be subject to all remedies and sanctions permitted under federal and state law and shall be permanently barred from

DESCRIPTION (continued)

participation in any state-funded medical assistance program.

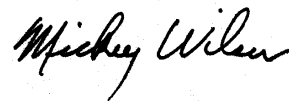
This proposal provides for the program to automatically sunset in six years unless reauthorized by the General Assembly.

This act has an emergency clause to be in full force and effect on July 1, 2006.

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 Elementary and Secondary Education
Secretary of State
Office of Attorney General
Department of Health and Senior Services
Department of Mental Health
Department of Social Services



Mickey Wilson, CPA
Director
February 27, 2006