

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4941-05
Bill No.: SCS for SB 1049
Subject: Medicaid; Disabilities; Social Services Department; Health Care; Health, Public
Type: Original
Date: March 24, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$7,589,358)	(\$7,834,636)	(\$1,112,058)
Total Estimated Net Effect on General Revenue Fund	(\$7,589,358)	(\$7,834,636)	(\$1,112,058)

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 12 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 \$12,000,000 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 **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.

ASSUMPTION (continued)

Officials from the **Office of Attorney General (AGO)** state this proposal makes changes to eligibility requirements for the former MAWD program. AGO assumes any potential costs 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 Social Services - Family Support Division (FSD)** state this proposal would restore the Medical Assistance for Workers with Disabilities (MA-WD) program previously repealed by SB 539. FSD states it also adds some limitations for such things as the consideration of spousal income and resources, and excludes sheltered workshop income from consideration when determining eligibility. The provisions for the consideration of income are only applicable to individuals who are Permanently and Totally Disabled (PTD) as set forth in 208.151.24(c) of the legislation.

In order to project the fiscal impact from the changes proposed in SCS SB 1049, FSD has determined it will need to combine the potential MA-WD eligibles with those from the sheltered workshop (disregarded income) group to arrive at the total global population(s) impacted by the proposal. However, it should be noted that the potential exists for duplication or overlap between the two populations: MA-WD and sheltered workshop income eligibles.

ELIGIBLES

MA-WD:

Essentially, there are three (3) different sub-populations impacted by the proposed legislation: Old MA-WD only, Spenddown Met, and Spenddown Not Met

If this bill is passed FSD, estimates the following would occur:

--664 recipients would have an average premium of \$59 per month and non spenddown.

--594 persons would have an average premium of \$86.45 per month with an average spenddown of \$273.28.- Spenddown met

--542 persons would have an average premium of \$90.78 per month with an average spenddown of \$356.45 - Spenddown not met

This is 1,800 - Total Eligibles

CM:LR:OD (12/02)

ASSUMPTION (continued)

ELIGIBLES DUE TO FSD DISREGARDING SHELTERED WORKSHOP INCOME:

Based on available information, it is FSD's contention that if sheltered workshop income were to be disregarded from consideration as income for purposes of eligibility for Medicaid that approximately 1,337 Missourians could be potentially eligible. These eligibles are comprised of three (3) sub-groups of the Medicaid population: 1) Individuals moving from spenddown to nonspenddown; 2) Individuals who are nonspenddown and earn less than \$65; and, 3) Individuals who have a reduced spenddown.

1) Individuals moving from spenddown to nonspenddown:
Of this population, approximately 362 are expected to move from spenddown to non-spenddown. It is further anticipated that 74% would continue to meet spenddown which equates to 271 individuals ($362 * 74\%$).

2) NonSpenddown and remain nonspenddown due to earnings less than \$65:
This population contains 178 individuals.

3) Spenddown individuals who have a reduced spenddown:

FSD estimates that 797 individuals would have a reduction in spenddown. Of the 797 individuals impacted, 597 were already meeting spenddown. Of the 200 individuals remaining 33 would meet a reduced spenddown and the other 167 did not previously meet spenddown and are not projected to meet spenddown with this change.

Staffing:

Any additional staffing needs would be absorbed by the division.

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.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state the count of eligibles was provided by the FSD. The FSD combined the MA-WD program eligibles with the sheltered workshop eligibles in estimating the fiscal impact. There would be some overlap of individuals between the two programs. As a result, the two groups were combined so as not to underestimate the fiscal impact.

ASSUMPTION (continued)

The average cost/eligible is based on the FY 05 expenditures for the MA-WD 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.

Fiscal impact for all years is based on 12 months of costs.

Section 208.146 - Disabled Employee's Health Assistance Program.

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 would 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 would be lower than current spenddown. - 594 individuals.

DMS assumes individuals currently in the Medicaid program and meeting spenddown. The cost for this group would 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.

DMS assumes 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 would 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 would 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.

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 would be lower than current spenddown - 542 individuals.

Assumption is the individuals in this group would participate in Medicaid because their premiums would 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 would 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 for Section 208.146 is \$16.8 million for FY 07 and \$17.6 million for FY 08. Program sunsets June 30, 2008.

Section 208.151 - Sheltered Workshop Income Disregard.

DMS estimates that 1,337 individuals would have their income from working at a sheltered workshop disregarded as income for determining Medicaid eligibility. This would reduce their spenddown. These individuals will fall into one of three groups:

Group 1: Currently spenddown but will move to non-spenddown - 362.

This group is divided into two groups - those participating/meeting spenddown and those not meeting spenddown.

Group 1a: Current spenddown and meeting spenddown - 271.

Assume currently meeting spenddown but will move to non-spenddown. The cost will be their spenddown. Current average spenddown is \$111.84.

$271 \times \$111.84 = \$30,308.64$ month or \$363,704 annual cost.

Group 1b: Current spenddown but not meeting spenddown - 91.

Assumption is although currently not participating in Medicaid because they haven't met their spenddown but individual will participate if no spenddown. The cost is the average cost per eligible - $\$1,142.80 \times 91 = \$103,994.80$ month, annual cost of \$1,247,938.

Group 2: No change in spenddown - 178.

Assumes individuals in this group will not be impacted by changes. No impact.

Group 3: Currently spenddown and will see a reduction in spenddown - 797.

CM:LR:OD (12/02)

ASSUMPTION (continued)

Group 3a: Current spenddown and meeting spenddown - 597.

The cost will be the amount of the reduction in spenddown. The average spenddown is expected to decrease by \$69.38 per month. $597 \times \$69.38 = \$41,419.86$ month; \$497,038 annual.

Group 3b: Current spenddown but not meeting spenddown but will participate because of lower spenddown amount - 33.

Assumes individuals currently are not participating in the Medicaid program and haven't met spenddown but will if they have a lower spenddown. The cost is the average cost per eligible. $\$1,142.80 \times 33 = \$37,712.40$ /month and \$452,549 annual cost.

The cost will be offset by the spenddown. $33 \times \$69.38 = \$2,289.54$ month or \$27,474 for 12 months.

Group 3c: Current spenddown but not meeting spenddown - 167.

This group is currently not participating and it is assumed they will not meet spenddown if lowered. No cost.

The fiscal impact for Section 208.151 is \$2.5 million for FY 07, \$2.6 million for FY 08, and \$2.8 million for FY 09.

Total fiscal impact: FY 07 - \$19.3 million, FY 08 - \$20.2 million and FY 09 - \$2.8 million. When Section 208.146 and Section 208.151 costs are added together the total includes duplicate costs.

Officials from the **Department of Health and Senior Services (DOH)** state there is potential savings to the Hope and Adult Head Injury Programs, though the amount of those savings are unknown, but are believed to be less than \$100,000.

In determining the fiscal impact of this proposal, 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

ASSUMPTION (continued)

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 Department of Health and Senior Services, 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 ($1,136 \times 10.6\%$) additional Medicaid recipients that will access home care or consumer directed care. The Department of Health and Senior Services 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 include costs for services for the new eligibles including the cost of in-home services or consumer directed services.)

Additionally, the Department of Social Services, Family Support Division has provided information that this legislation would result in an estimated 1,337 new eligibles for the purposes of determining eligibility for Medicaid (public assistance) as a result of exempting sheltered workshop employment income. Of these eligibles, 362 are currently receiving Medicaid through spend-down and thus would already be included in the 1,337 clients. Therefore the number of new eligibles is estimated to be 975 (1,337 - 362).

In FY05 the department served 308,120 Medicaid recipients and approximately 16% of these are projected to be in-home service clients (49,419/308,120). Based on the 16% participation for in-home services, the division estimates 156 ($975 \times 16\%$) additional Medicaid recipients that will access home care. Since specific data related in-home service utilization for Sheltered Workshop employees is not available, we have utilized the overall participation rate. DOH will need to provide case management for new clients participating in the in-home services program. (Please note the Department of Social Services will include costs for services for the new eligibles including the cost of in-home services.)

ASSUMPTION (continued)

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 3 Social Service Worker positions to case manage the new MAWD eligibles and the new Medicaid eligibles as a result of exempting sheltered workshop income $((120 + 156)/100=3)$.

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.

Currently, the ratio of Home and Community Area Supervisor is one supervisor for every ten Social Service Worker FTE. Therefore, since this legislation will only require 3 SSW FTE we will not request any additional Supervisor's or clerical staff and will absorb those duties with existing staff.

This proposal contains a clause that sunsets the provisions related to the MAWD (Medical Assistance for the Working Disabled) program on June 30, 2008. Therefore, the cost for staffing for FY2009 has been adjusted to include only the staff needed to provide ongoing case management for the new clients participating in the in-home services program as a result of the exemption of sheltered workshop income when determining eligibility for Medicaid. For FY2009, case management would need to be provided for 156 Medicaid eligibles due to the exemption of sheltered workshop income. Keeping with the previous request to reduce caseloads to 100 per worker, the division would require 2 Social Service Worker positions to case manage the Medicaid eligibles as a result of exempting sheltered workshop income $(156)/100=2)$.

FISCAL IMPACT - State Government FY 2007 FY 2008 FY 2009

GENERAL REVENUE

Savings - Department of Health and Senior Services

Program costs*	Less than \$100,000	Less than \$100,000	Less than \$100,000
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Costs - Office of Attorney General

Program costs*	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
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Costs - Department of Health and Senior Services

Personal Services (3 FTE in FY 07 & FY 08) (2 FTE in FY 09)	(\$39,661)	(\$41,366)	(\$28,267)
Fringe Benefits	(\$17,475)	(\$18,226)	(\$12,454)
Expense and Equipment	<u>(\$23,584)</u>	<u>(\$12,871)</u>	<u>(\$8,838)</u>
	(\$80,720)	(\$72,463)	(\$49,559)

Cost - Department of Social Services - Division of Medical Services

Program costs	<u>(\$7,508,638)</u>	<u>(\$7,762,173)</u>	<u>(\$1,062,499)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE*

	<u>(\$7,589,358)</u>	<u>(\$7,834,636)</u>	<u>(\$1,112,058)</u>
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*Oversight assumes savings of less than \$100,000 and costs of less than \$100,000 would net to \$0.

FEDERAL

Income -Department of Health and Senior Services

Program Reimbursements	\$31,587	\$28,982	\$29,089
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Income - Department of Social Services - Division of Medical Services

Program reimbursements	\$11,915,618	\$12,451,824	\$1,704,425
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Costs - Department of Health and Senior Services

Personal Services (3 FTE in FY 07 & FY 08) (2 FTE in FY 09)	(\$46,559)	(\$48,560)	(\$33,182)
Fringe Benefits	(\$20,514)	(\$21,395)	(\$14,620)
Expense and Equipment	<u>(\$16,600)</u>	<u>(\$6,988)</u>	<u>(\$11,591)</u>
	(\$83,673)	(\$76,943)	(\$59,393)

Cost - Department of Social Services - Division of Medical Services

Program costs	<u>(\$11,915,618)</u>	<u>(\$12,451,824)</u>	<u>(\$1,704,425)</u>
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ESTIMATED NET EFFECT ON FEDERAL FUNDS

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	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.

DESCRIPTION (continued)

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.

This proposal provides for DEHAP to expire on June 30, 2008.

This proposal also provides that as to the permanent and totally disabled population, any income derived through certified extended employment at a sheltered workshop shall not be considered as income for determining Medicaid eligibility.

This proposal 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
March 24, 2006