

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0373-03  
Bill No.: SB 14  
Subject: Medicaid; Social Services Department  
Type: Original  
Date: January 10, 2013

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Bill Summary: Raises Medicaid eligibility for the aged, blind and disabled population by modifying the eligibility for pregnant women and children.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
General Revenue	(\$532,428)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$532,428)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

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

## FISCAL ANALYSIS

### ASSUMPTION

#### **Section 208.183**

Officials from the **Office of Administration (OA), Department of Social Services (DSS) - Information Technology Services Division (ITSD)** state the proposed legislation is linked to Section 2001 of the federal Patient Protection and Affordable Care Act (ACA) of 2010, but is not mandated.

Section 208.183 of the proposal will require changes to the Medicaid income eligibility criteria of the Family Assistance Management Information System (FAMIS). The changes are to take place upon implementation of the federally-facilitated health insurance exchange which is mandated to accept applications and determine eligibility by October 1, 2013. Adjustments to income eligibility levels are expected to run annually thereafter.

ITSD estimates the necessary changes to FAMIS will require approximately 13,000 hours of programming time. Changes include modifications to various sub-programs, making/creating modifications to technical, resource, and income determinations, making/creating modifications to extracts to send data to the data warehouse, batch processes, forms, notices and reports, and the creation of new forms, notices and reports. All of this will need to be done with little or no impact to existing functionality of other benefit programs in FAMIS.

ITSD assumes state staff will perform 30% of the hours of effort (13,000 hours X 30% = 3,900 hours) and contract staff will complete the remaining 70% of the hours (13,000 hours X 70% = 9,100 hours). The current rate for state ITSD staff averages \$63.04 per hour; the current rate for IT consultants average \$90 per hour. Total programming costs are, therefore, estimated to be \$1,064,856 [(3,900 hours X \$63.04/hour = \$245,856) + (9,100 hours X \$90/hour = \$819,000)].

Annual maintenance would need to be performed to include minor modifications and adjustments to reports. This would likely be done by the FAMIS staff and take approximately 1,000 maintenance hours yearly, for an annual cost of \$63,040.

In addition, ITSD anticipates system maintenance costs beyond FY 16 (end of the fiscal note period) to annually modify income eligibility requirements as required by subsection (2), "The department shall annually publish by July first of each year the income eligibility level for participants covered by this section."

Medicaid program expenditures by ITSD receive a 50/50 federal reimbursement rate.

HWC:LR:OD

ASSUMPTION (continued)

**Oversight** assumes the OA-DSS-ITSD receives an annual appropriation to cover maintenance and repair costs to the FAMIS system and other computer systems that may be operating. Therefore, Oversight assumes the annual maintenance cost of \$63,040 can be absorbed within current ITSD appropriation levels. If additional funding becomes necessary, DSS may request funding through the appropriations process.

Officials from the **DSS - MO HealthNet Division (MHD)** state the Family Support Division (FSD) estimates 977 pregnant women with income above 133% of the Federal Poverty Level (FPL) would lose eligibility under MO HealthNet for Pregnant Women (MPW). This is the average monthly number of pregnant women from State Fiscal Year (SFY) 2012 on MPW with income above 133% FPL. The average monthly cost of the MPW population is \$566.79 for an annual cost of \$6,645,046 (977 participants X \$566.79/month X 12 months).

The cost savings from the MPW program changes would be used to increase the income limit for the MO HealthNet for the Aged, Blind, and Disabled (MHABD) program. For comparison purposes only, the cost to increase Medicaid eligibility for MHABD from 85% FPL to 86% FPL is three times the savings from reducing MPW to 133% FPL.

The average number of MHABD participants with a spenddown amount as of September, 2012, was 69,567 participants. Of those 69,567 with a spenddown amount, 20,860 met their spenddown during the month. The remaining 48,707 did not. Those 20,860 individuals meeting spenddown would have a lesser spenddown if eligibility were increased to 86% FPL (20,860 individuals X \$9.27 decrease in monthly spenddown X 12 months = \$2,320,466). Additionally, some of those not meeting spenddown would be eligible for MHABD. In September 2012, 4,175 individuals who did not meet spenddown had incomes between 85% FPL and 90% FPL. Assuming even distribution of FPL percentages, 835 of these individuals have income between 85% FPL and 86% FPL. The Medicaid costs for these individuals would be \$16,738,164 (200 of the 835 are elderly X \$1,548.16 X 12 months = \$3,715,584) plus (635 of the 835 are disabled X \$1,709 X 12 months = \$13,022,580).

Because of the Maintenance of Effort (MOE) provisions included in the ACA, changes to the children's coverage are not included in the fiscal note response. These changes cannot be implemented prior to October 1, 2019 (SFY 2020).

It is anticipated that the proposed legislation would begin January 1, 2014, and would be cost neutral to MO HealthNet. Any savings achieved by lowering the federal poverty limit on the MPW population will be offset by an increased cost to the MHABD population. MHD would not be able to increase the eligibility percentage for MHABD participants by a full percentage point (from 85% to 86% FPL) as the maximum increase would be limited to the \$6,645,046 saved by reducing MPW income eligibility limits.

ASSUMPTION (continued)

It should be noted that any MPW participant who is pregnant as of January 1, 2014, will lose MO HealthNet coverage at that time. They will have the option to access insurance through the health insurance exchange. They may be required to pay premiums, deductibles, and co-pays that they do not pay under MO HealthNet.

Officials from the **DSS - Family Support Division (FSD)** provided the following assumptions regarding Section 208.183 of the proposal:

**Subsection 1**

**Subdivision (1)**

Assuming that the federally-facilitated health insurance exchange is operational by January 1, 2014, the FSD estimates that 977 pregnant women with income between 133% and 185% of the FPL would lose eligibility under the MPW program due to the income limit reduction. This would result in a cost savings for the MPW program.

**Subdivision (2)**

Due to the MOE requirements of the ACA, changes to the MO HealthNet for Kids (MHK) income limits would be effective October 1, 2019 (SFY 2020) which is outside the timeframe of this fiscal note. Therefore, the number of children affected by this subdivision is not included in this response.

**Subdivision (3)**

The FSD believes this income limit is in conflict with federal rule, 42 CFR 435.118, published March 23, 2012, in the federal register, 77 FR 17205. The FSD believes this rule requires that eligibility for all children under the MHK program must be 133% FPL, at a minimum. States can have an income limit higher than 133% FPL, but not lower.

**Subsection 2**

The cost savings from the MPW program changes in subsection 1, subdivision (1), would be used to increase the income limit for the MHABD program. As of September 2012, the number of MHABD participants with a spenddown amount was 69,567. Since participants in the MHABD program who have income over the current income limit of 85% FPL qualify for MHABD coverage by meeting a spenddown, the cost savings would reduce the amount of spenddown these 69,567 participants must meet.

The FSD assumes existing staff will be able to complete work necessary to implement the provisions of this proposal.

The FSD assumes OA-ITSD will include the FAMIS programming costs for the system changes needed to implement provisions of this proposal in their response.

ASSUMPTION (continued)

Officials from the **DSS - Division of Legal Services (DLS)** state the proposed legislation will have no direct impact on the DLS. However, the proposed bill will require programming changes to the Family Support Division's (FSD) computer system to implement the changes proposed. The DLS will defer to the FSD's fiscal note for the discussion of the fiscal impact to the FSD.

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

Division of Senior and Disability Services (DSDS)

Services for New Participants

The appropriations for Medicaid Home and Community Based (HCB) Services are included in the DHSS-DSDS budget. The DHSS defers to the Department of Social Services for the number of new aged, blind, and disabled individuals that would become eligible as a result of this legislation. Of this number of new eligibles, there is approximately a 19.41 percent utilization rate of Home and Community Based (HCB) services. DHSS estimates the average annual cost per participant at \$11,381 for FY 2014 with a growth factor of 8.05 percent per year based on the average growth over the last three fiscal years. HCB services are calculated at the blended Financial Medical Assistance Percentage (FMAP) rate.

Assessment and Reassessment Costs

Each new participant would receive an initial assessment for HCB services and an annual reassessment in subsequent years. Each assessment takes an average of two hours to complete. The DHSS will require additional staff to complete assessments and reassessments on the newly eligible individuals. DHSS estimates that 1.00 FTE is required to complete 1,040 assessments/reassessments per year.

Since the number of new aged, blind, and disabled individuals that would become eligible for services as a result of this legislation is unknown, the DHSS is unable to estimate the potential increase in costs of services, personnel, or additional space that may be needed. Therefore, the DHSS assumes the proposal will have an unknown fiscal impact.

**Oversight** assumes, based on information provided in discussions with DSS personnel, that the total expenditures on services to the Aged, Blind, and Disabled population would be limited to approximately \$6.6 million, the amount saved by lowering in the income threshold for pregnant

ASSUMPTION (continued)

women to receive services. The savings will be spread among all of the services received by the Aged, Blind and Disabled population, including Medicaid HCB services. Therefore, any potential increases in costs incurred by the DHSS-DSDS will be limited and approximately cost neutral.

Officials from the **Department of Mental Health (DMH)** state assuming a federally facilitated health insurance exchange is operational by January 1, 2014 and federal premium tax credits are available, the income limit reduction for pregnant women would take effect on that date. Based on the State Fiscal Year (SFY) 12 average, the Department of Social Services (DSS) estimates 997 pregnant women receiving Medicaid would lose eligibility. Elderly, blind, and disabled individuals over the current income limit of 85% of the Federal Poverty Level (FPL) qualify for Medicaid by meeting a spend down; therefore, the savings would be used to reduce the spenddowns of those participants. The DSS states the average number of persons with a spenddown is 69,567.

The DMH currently serves 30 pregnant women (Comprehensive Psychiatric Services (CPS) Division - 17; Developmental Disabilities (DD) Division - 3; and, Alcohol & Drug Abuse (ADA) Division - 10) with incomes above 133 percent of the FPL, who would no longer be eligible for Medicaid unless they were disabled and qualified for Medicaid as spenddown. DMH currently serves 10,128 (CPS-5,862; DD-3,855; and ADA-411) consumers who receive Medicaid coverage when they meet a spenddown and would benefit from the reduction in their spenddown.

The cost/savings to DMH is unknown, but expected to be less than \$100,000; the overall cost/savings of the proposed legislation should net to zero.

Officials from the **Committee on Legislative Research - Revisor of Statutes**, the **Department of Insurance, Financial Institutions, and Professional Registration** and the **Department of Revenue** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (6 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE FUND</b>			
<u>Savings - DSS-MHD</u>			
Reduction in program expenditures provided to pregnant women (§208.183)	\$3,322,523	\$6,645,046	\$6,645,046
<u>Costs - DSS-ITSD</u>			
ITSD programming (§208.183)	(\$532,428)	\$0	\$0
<u>Costs - DSS-MHD</u>			
Increase in program costs for services provided to the aged, blind and disabled (§208.183)	(\$3,322,523)	(\$6,645,046)	(\$6,645,046)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$532,428)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>FEDERAL FUNDS</b>			
<u>Income - DSS-ITSD</u>			
Increase in program reimbursements (§208.183)	\$532,428	\$0	\$0
<u>Costs - DSS-ITSD</u>			
Increase in program expenditures (§208.183)	(\$532,428)	\$0	\$0
<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 raises Medicaid eligibility for the aged, blind and disabled population by modifying the eligibility for pregnant women and children.

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 Insurance, Financial Institutions,  
and Professional Registration  
Department of Mental Health  
Department of Health and Senior Services  
Department of Revenue  
Department of Social Services -  
Information Technology Services Division  
MO HealthNet Division  
Division of Legal Services  
Family Support Division  
Committee on Legislative Research -  
Revisor of Statutes



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January 10, 2013