

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0273-05
Bill No.: HCS for SCS for SB 35
Subject: Medicaid; Social Services Department; Public Assistance
Type: Original
Date: April 28, 2015

Bill Summary: This proposal changes the laws regarding public assistance.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--------------------------------------------------------------|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| General Revenue | (\$720,137) | (\$260,811) | (\$444,149) |
| Total Estimated Net Effect on General Revenue | (\$720,137) | (\$260,811) | (\$444,149) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|-----------------------------------------------------------------------|------------------|------------------|------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| Other State Funds (various) | \$334,511 | \$966,364 | \$892,028 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$334,511 | \$966,364 | \$892,028 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|-----------------------------------------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| Federal * | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

* Income, savings, expenditures and losses net to \$0.

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|-----------------------------------------------------------|----------|----------|----------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--------------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

§208.065 - Eligibility Verification

Officials from the **Department of Social Services (DSS)** provide the following assumptions for this proposal:

Section 208.065 - Eligibility Verification

This section requires the DSS to procure a contract no later than January 1, 2016, to verify eligibility for assistance under the supplemental nutrition assistance program (SNAP); the temporary assistance for needy families (TANF) program; Women, Infants and Children (WIC) supplemental nutrition program; child care assistance program; and the MO HealthNet program using name, date of birth, address, and Social Security number of each applicant and recipient against public records and other data sources to verify eligibility data.

Family Support Division (FSD) and MO HealthNet Division (MHD) officials state this section also lists the WIC program; however DSS does not administer this program and, so assumes the Department of Health and Senior Services (DHSS) will provide the fiscal impact for that program.

DSS assumes the department would contract for this service. The contractor will conduct data match services to determine which participants may not be eligible for SNAP, TANF, child care assistance and MO HealthNet benefits. If there is no information/data that contradicts the original determination of benefits, then DSS assumes the participants are still eligible. However, DSS assumes all final eligibility determinations will be made by FSD.

Estimates for a contractor to provide services to implement eligibility determinations are based on past calculations prepared for the FY 2015 budget cycle as part of the Governor's recommendation. In addition, DSS assumes for the cases that are identified, case management services would be contracted to provide follow up analysis of each case. Contract and case management costs are estimated to be \$2,774,200 (\$1,120,167 GR; \$1,654,033 Federal) in FY 2016, \$3,977,001 (\$1,710,357 GR; \$2,266,644 Federal) in FY 2017 and \$4,144,035 (\$1,782,192 GR; \$2,361,843 Federal) in FY 2018.

DSS based its savings on the Illinois Medicaid Redetermination Project report. According to the Illinois information, many Illinois cases had not been reinvestigated for some time. Missouri has been timelier on reinvestigations; therefore, DSS assumes a lesser percentage of cases reviewed would be cancelled. DSS assumed 75% of the Illinois caseload for the first 5 months of the first calendar year; 50% of the Illinois caseload for the last 7 months of the first calendar year and the first 6 months of the second calendar year; and then 25% of the Illinois caseload for the remainder of year two. There are no additional savings projected for year three.

ASSUMPTION (continued)

Medicaid savings: DSS assumes \$236 per member per month (PMPM) savings. This is half of TANF participant PMPM costs. Illinois found that many participants losing coverage did not have PMPM costs representative of the caseload because they had not accessed services. Illinois' actual PMPM savings from first group was \$55 PMPM. DSS assumes Missouri savings would be more since Missouri has been completing reinvestigations timelier. Potential savings to the state from recoveries is \$2,280,112 (\$501,766 GR; \$334,511 Other Funds; \$1,443,835 Federal) in FY 2016; \$8,867,102 (\$1,951,312 GR; \$1,300,875 Other Funds; \$5,614,915 Federal) in FY 2017; for a cumulative total savings of \$14,947,400 (\$3,289,355 GR; \$2,192,903 Other Funds; \$9,465,142 Federal) in FY 2018.

SNAP savings: DSS assumes \$261 per member per month (PMPM) savings. Using the same methodology, potential savings are \$1,143,180 in Federal Funds for FY 2016; \$4,444,830 in Federal Funds for FY 2017; for a total cumulative SNAP Federal Fund savings of \$7,493,832 in FY 2018.

Food Stamp benefits are paid by the federal government and are not included in FSD's appropriations.

CFR 272.4(a)(2) Program administration and personnel requirements:

Due to federal rules for the Food Stamp program, FSD would be required to request a waiver to implement this process for Food Stamp applicants. If the waiver is not approved by the federal Food and Nutrition Services, FSD reasonably anticipates there could be sanctions imposed by the United State government if this process were implemented without an approved waiver. These sanctions could include a disallowance of some or all of the federal Food Stamp program funding.

TANF savings: DSS assumes \$227 per member per month (PMPM) savings. Using the same methodology, potential savings are \$72,867 in Federal Funds in FY 2016; \$282,615 in Federal Funds in FY 2017; for a total cumulative TANF Federal Funds savings of \$477,381 in FY 2018.

This would result in a reduction of TANF spending on cash assistance, but not a savings in TANF funding because all TANF must be spent on one of the four purposes of the TANF program:

- 1) To provide assistance to needy families;
- 2) To end dependence of needy parents by promoting job preparation, work and marriage;
- 3) To prevent and reduce out-of-wedlock pregnancies; and
- 4) To encourage the formation and maintenance of two-parent families.

FSD anticipates a shift in spending from cash grants to eligible families to other purposes of the TANF program.

ASSUMPTION (continued)

Child care savings: DSS assumes \$309 per member per month (PMPM) savings. Using the same methodology, potential savings are \$112,167 in Federal Funds for FY 2016; \$437,235 in Federal Funds for FY 2017; for a total cumulative Child Care Development Federal Fund savings of \$735,729 in FY 2018.

This would result in a reduction of child care spending on assistance, but not a savings in Child Care Development Fund (CCDF) funding because all CCDF must be spent on child care assistance or child care quality programs.

Estimated cumulative savings for these four programs are \$3,608,326 (\$501,766 GR, \$334,511 Other Funds, \$2,772,049 Federal) in FY 2016; \$14,031,782 (\$1,951,312 GR, \$1,300,875 Other Funds, \$10,779,595 Federal) in FY 2017; for a total cumulative savings for four programs of \$23,654,342 (\$3,289,355 GR, \$2,192,903 Other Funds, \$18,172,084 Federal) in FY 2018.

TOTAL IMPACT

| | TOTAL | GR | Federal | Other Funds |
|---------|--------------|-------------|--------------|-------------|
| FY 2016 | \$834,126 | (\$618,401) | \$1,118,016 | \$334,511 |
| FY 2017 | \$10,054,780 | \$240,955 | \$8,512,950 | \$1,300,875 |
| FY 2018 | \$19,510,306 | \$1,507,163 | \$15,810,240 | \$2,192,903 |

Oversight will present the individual savings for Medicaid/MO HealthNet and SNAP by year rather than as cumulative totals. Since funds for TANF must be spent on one of the four purposes of the TANF program and Child Care funds must be spent on child care assistance or child care quality programs, these do not actually present a savings to the state and will not be presented in the fiscal note.

Division of Legal Services (DLS) officials state it is assumed that the contractor's review of all applicant and client eligibility information would result in additional adverse case actions due to the contractor's discovery of previously unreported adverse eligibility information. The additional case closings would in turn result in additional hearings contesting the adverse action taken by FSD. It is not possible to accurately estimate the increase in hearings as it is not possible to accurately measure the potential for fraud by FSD clients, but it can be assumed there would be at least a one percent increase in administrative hearings. In calendar year 2014, the DLS Hearings Unit issued 12,516 decisions of all types. Assuming there was a 1% increase in hearings, DLS anticipates that 125 additional administrative hearings will be requested to contest whether individuals or couples should have their benefits terminated or decreased. DLS believes that it will take approximately two hours to conduct each hearing required by this bill. This will include hearing preparation, the actual hearing and the writing and reviewing of the hearing decision. DLS assumes that hearing officers can hold approximately 900 hearings per year. DLS will be able to absorb the additional hearings with existing staff.

ASSUMPTION (continued)

DSS provided the **Office of Administration (OA), Information Technology Services Division (ITSD)** response. ITSD states it is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.

The Family Assistance Management Information System (FAMIS) is expected to provide a file with the name, date of birth, address, and Social Security number of each applicant and recipient, and additional data provided by the applicant or recipient relevant to eligibility against public records and other data sources to verify eligibility data. There is no mention of the frequency of this exchange except the fact that deaths, moving out of state, and incarceration should be verified monthly.

This could end being a major change in FAMIS based on the actual requirement. The requirement talks about “name, date of birth, address, Social Security number of each applicant and recipient”. There are certain screens where FAMIS does not require the Eligibility Specialist (ES) to enter details of the applicant if they are not requesting benefits and this might have to change. Also, at this time, ITSD does not know if this will in any way impact the existing annual reinvestigation/recertification process in FAMIS. At this time, ITSD also does not know of any special requirements as far as forms and notices are concerned.

It should also be kept in mind that some of the MO HealthNet programs are already in the Missouri Eligibility Determination and Enrollment System (MEDES).

ITSD estimates the following contracted IT consultant hours and costs related to this proposal:

| <u>Section</u> | <u>Hours</u> | <u>Rate/Hour</u> | <u>GR</u> <u>Costs</u> | <u>Federal Funds</u> <u>Costs</u> |
|----------------|---------------|------------------|---------------------------|--------------------------------------|
| 208.065.1 | 457.92 | \$75 | \$34,344 | |
| 208.065.2 | 172.80 | \$75 | \$12,960 | |
| 208.065.3 | 276.48 | \$75 | \$20,736 | |
| 208.065.3 | 276.48 | \$75 | \$20,736 | |
| 208.065.4 | <u>172.80</u> | \$75 | <u>\$12,960</u> | |
| Total | 1,356.48 | | <u><u>\$101,736</u></u> | |

ASSUMPTION (continued)

§208.078 - Termination of Benefits for Out-of-state Residency

Officials from the **Department of Mental Health (DMH)** state on rare occasions, the Division of Developmental Disabilities (DD) places consumers with an out-of-state home- and community- based provider when the provider's skills or ability is best matched to serve a consumer's unique set of needs and no in-state placement option is available. The proposed legislation would cause any consumer in such a placement who receives Missouri Medicaid benefits to lose them, potentially increasing the cost to the Division of DD. Placements such as these are very infrequent and the DMH would absorb any costs associated with such placements.

Officials from the **DSS** state this section requires the DSS to terminate MO HealthNet services when it receives information that a MO HealthNet recipient, excluding a child in the state's custody, resides out of state. The FSD currently terminates benefits when it receives notification for out of state residency. DSS assumes no fiscal impact from this section.

Bill as a Whole

Officials from the **Department of Health and Senior Services (DHSS)** assume the proposal would not fiscally impact their agency.

Oversight notes in response to similar provisions in HCS for SCS for SB 322, the DHSS provided that Section 208.065 of the proposed legislation does not place any requirements on the DHSS. Rather, the Department of Social Services is tasked with procuring a contract to provide verification of eligibility for certain specific programs. DHSS state it was important to note that DHSS administers one of those programs—the Women, Infants, and Children (WIC) Supplemental Nutrition Program for Missouri— per federal regulation 7 CFR 246 with 100 percent federal funds provided by the United States Department of Agriculture (USDA). The verification of initial and ongoing eligibility for the WIC program is performed by local WIC providers (mostly local public health departments) as required by the USDA. Financial eligibility and nutritional eligibility is assessed upon initial application and then again at re-certification (every six months). In between those six months, clients must participate in nutrition education activities as prescribed by a nutritional assessment (level of nutrition risk/need). The issuance of benefits is given in-person to clients who complete the assigned nutrition activities. Clients who do not participate as prescribed do not receive any benefits (nutrition package voucher). Eligibility status may be reassessed at any time if the WIC provider becomes aware of any change in financial or nutritional status. It is unknown if the USDA would permit DHSS to require local WIC providers to perform eligibility review for all participants no less than quarterly since that is more stringent than

ASSUMPTION (continued)

USDA requirements. Requiring more frequent eligibility reviews will result in additional costs to local WIC providers, so it appears unlikely that USDA would fund the associated costs. Likewise, it is unknown if USDA would permit eligibility to be determined by a centralized contractor.

Oversight assumes WIC verification will remain with local providers and that no additional costs or savings would accrue to either the state or federal government.

| <u>FISCAL IMPACT - State Government</u> | FY 2016 (6 Mo.) | FY 2017 | FY 2018 |
|----------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|
| GENERAL REVENUE FUND (§208.065) | | | |
| <u>Savings - DSS-FSD/MHD</u> | | | |
| Recovery from eligibility verifications for Medicaid/MO HealthNet | \$501,766 | \$1,449,546 | \$1,338,043 |
| <u>Costs - DSS-FSD/MHD</u> | | | |
| Contract and case management fees for eligibility verifications | (\$1,120,167) | (\$1,710,357) | (\$1,782,192) |
| <u>Costs - OA-ITSD</u> | | | |
| Contract IT costs | <u>(\$101,736)</u> | <u>\$0</u> | <u>\$0</u> |
| ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND | <u>(\$720,137)</u> | <u>(\$260,811)</u> | <u>(\$444,149)</u> |
| OTHER STATE FUNDS (various) (§208.065) | | | |
| <u>Savings - DSS-FSD/MHD</u> | | | |
| Recovery from eligibility verifications for Medicaid/MO HealthNet | <u>\$334,511</u> | <u>\$966,364</u> | <u>\$892,028</u> |
| ESTIMATED NET EFFECT ON OTHER STATE FUNDS (various) | <u>\$334,511</u> | <u>\$966,364</u> | <u>\$892,028</u> |

| <u>FISCAL IMPACT - State Government</u> | FY 2016 (6 Mo.) | FY 2017 | FY 2018 |
|-------------------------------------------------------------------------------------------------------------|------------------------|----------------------|----------------------|
| FEDERAL FUNDS (§208.065) | | | |
| <u>Income</u> - DSS-FSD/MHD | | | |
| Income for program reimbursements for contract and case management fees for eligibility verifications | \$1,654,033 | \$2,266,644 | \$2,361,843 |
| <u>Savings</u> - DSS-FSD/MHD | | | |
| Reduction in program expenditures due to verification of eligibility for Medicaid/MO HealthNet | \$1,443,835 | \$4,171,080 | \$3,850,227 |
| <u>Savings</u> - DSS-FSD/MHD | | | |
| Reduction in SNAP expenditures | \$1,143,180 | \$3,301,650 | \$3,049,002 |
| <u>Costs</u> - DSS-FSD/MHD | | | |
| Contract and case management fees for eligibility verifications | (\$1,654,033) | (\$2,266,644) | (\$2,361,843) |
| <u>Loss</u> - DSS-FSD/MHD | | | |
| Reduction in program reimbursements due to verification of eligibility for Medicaid/MO HealthNet | (\$1,443,835) | (\$4,171,080) | (\$3,850,227) |
| <u>Loss</u> - DSS-FSD/MHD | | | |
| Reduction in SNAP funds to the state | <u>(\$1,143,180)</u> | <u>(\$3,301,650)</u> | <u>(\$3,049,002)</u> |
| ESTIMATED NET EFFECT ON FEDERAL FUNDS | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2016 (6 Mo.) | FY 2017 | FY 2018 |
| | <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.

FISCAL DESCRIPTION

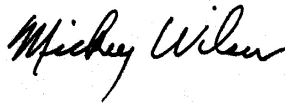
By January 1, 2016, this proposal requires the Department of Social Services to procure a contractor for the purpose of providing verification of initial and ongoing eligibility data for the Supplemental Nutrition Assistance Program; Temporary Assistance for Needy Families; Women, Infants, and Children Supplemental Nutrition Program; Child Care Assistance Program; and MO HealthNet Program. The contractor must conduct data matches using specified information relevant to eligibility against public records and other data sources to verify eligibility data. The contractor must evaluate the income, resources, and assets of each applicant and recipient no less than quarterly. In addition to quarterly eligibility data verification, the contractor must identify on a monthly basis any program participants who have died, moved out of state, or have been incarcerated longer than 90 days. Upon completing an eligibility data verification of an applicant or recipient, the contractor is required to notify the department of the results, except that the contractor is prohibited from verifying the eligibility data of persons residing in long-term care facilities whose income and resources were at or below the applicable financial eligibility standards at the time of their last review. The department must make an eligibility determination within 20 business days of receipt of the notification. The proposal requires the department to retain final authority over eligibility determinations and the contractor must keep a record of all eligibility data verifications communicated to the department.

The department and contractor must file a joint report on a yearly basis, within 30 days of the end of each calendar year, to the Governor, the Speaker of the House of Representatives, and the President Pro Tem of the Senate. The proposal specifies the information that must be included in the report.

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 Health and Senior Services
Department of Mental Health
Department of Social Services -
 MO HealthNet Division
 Family Support Division
 Division of Legal Services
Office of Administration -
 Information Technology Services Division



Mickey Wilson, CPA
Director
April 28, 2015

Ross Strobe
Assistant Director
April 28, 2015