

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1707-03
Bill No.: SCS for SB 322
Subject: Disabilities; Medicaid
Type: Original
Date: March 17, 2015

Bill Summary: This proposal raises the MO HealthNet asset limits for disabled persons.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | | |
|--|-----------------------|-----------------------|-----------------------|--------------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| General Revenue | (\$18,154,316) | (\$26,360,093) | (\$29,069,463) | (\$32,134,302) |
| Total Estimated Net Effect on General Revenue | (\$18,154,316) | (\$26,360,093) | (\$29,069,463) | (\$32,134,302) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | | |
|---|----------------------|-----------------------|-----------------------|--------------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| Various Other State Funds | (\$9,352,224) | (\$13,579,441) | (\$14,975,178) | (\$16,554,034) |
| Total Estimated Net Effect on <u>Other</u> State Funds | (\$9,352,224) | (\$13,579,441) | (\$14,975,178) | (\$16,554,034) |

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 12 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | | |
|---|------------|------------|------------|-----------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| Federal* | \$0 | \$0 | \$0 | \$0 |
| | | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 | \$0 |

* Income and expenses exceed \$83,000,000 in FY 2020 when fully implemented and net to \$0.

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | | |
|---|---------|---------|---------|-----------------------------|
| FUND AFFECTED | FY 2016 | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
| | | | | |
| | | | | |
| Total Estimated Net Effect on FTE | | | | |

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 | Fully Implemented (FY 2020) |
| Local Government | \$0 | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS), MO HealthNet Division** provide the following:

This bill proposes to incrementally increase the asset limits for MO HealthNet for Aged, Blind, and Disabled program(s) for disabled individuals under the age of 65. The incremental increases begin with \$2,000 for individuals and \$4,000 for couples beginning Fiscal Year (FY) 2016 and increase by \$1,000 for individuals and \$2,000 for couples each succeeding FY through FY 2019 to \$5,000 for individuals and \$10,000 for couples. In each subsequent year, the asset limits will increase by the same percentage as the cost of living adjustment, if there was one that year. For the purposes of this fiscal note response, the Family Support Division (FSD) assumes the intent of the proposed legislation was to sequentially continue the fiscal years; therefore, beginning in 2020, the asset limit will gradually increase ongoing.

Family Support Division (FSD) officials state for 208.010 Section 2 (7) FSD would see an increase in applications and caseload sizes in the local FSD offices due to the increase in the resource limit for MO HealthNet eligibility of permanently and totally disabled individuals under the age of 65. The increase in cases in the MO HealthNet for Aged, Blind, and Disabled (MHABD) program(s) will occur incrementally due to the incremental increase in the resource limits beginning in FY 2016 to \$2,000 for single individuals and \$4,000 for a married couple. The resource limit would then increase annually by \$1,000 and \$2,000 respectively until FY 2019, when the sum would total \$5,000 and \$10,000 would be reached. Beginning in FY 2020, the increase due to the cost of living adjustment (COLA) would add additional cases to the MHABD program(s) and ongoing as the COLA increases the resource limit. The FSD determined there would be a total of 6,176 new cases for MHABD program(s) through FY 2020 if the resource limits are increased as proposed.

The FSD arrived at 6,176 new cases in this manner:

In State Fiscal Year (SFY) 2014, the FSD rejected (due to excess resources) 3,934 MO HealthNet (MHN) applications of individuals under the age of 65 claiming a disability. Of these rejected applications, 3,349 were rejected for all FSD MO HealthNet programs. The remaining 585 (3,934 rejections - 3,349 rejections for all programs) cases were eligible for Qualified Medicare Beneficiary (QMB)/Specified Low Income Medicare Beneficiary (SLMB), which have higher resource limits and are included in the QMB/SLMB population below. The FSD estimates in FY 2016, 1,011 of the 3,934 applications rejected for all FSD MO HealthNet programs would be eligible if the resource limit was increased to \$2,000 for individuals and \$4,000 for a couple as proposed.

ASSUMPTION (continued)

Using the same methodology, the incremental increases for FY 2017 - FY2020 are:

FY 2017: 424 of the 3,934 applications rejected for all FSD MO HealthNet programs would be eligible if the resource limit was increased to \$3,000 for individuals and \$6,000 for a couple as proposed.

FY 2018: 261 of the 3,934 applications rejected for all FSD MO HealthNet programs would be eligible if the resource limit was increased to \$4,000 for individuals and \$8,000 for a couple as proposed.

FY 2019: 197 of the 3,934 applications rejected for all FSD MO HealthNet programs would be eligible if the resource limit was increased to \$5,000 for individuals and \$10,000 for a couple as proposed.

FY 2020: In FY 2014, the COLA was a 1.7% increase. For the purposes of this fiscal note response, the FSD assumes future increases will remain the same. 17 of the 3,934 applications rejected for all FSD MO HealthNet programs would be eligible if the resource limit was increased by the COLA percentage to \$5,085 for individuals and \$10,170 for a couple as proposed.

In the first six months of SFY 2014, 324 or 32% of applications rejected for all programs were eventually approved after they spent their assets down below the applicable resource limit. 199 became eligible within 1 month of rejection, 37 cases became eligible within 2 months of rejection, 27 cases became eligible within 3 months of rejection, 22 cases became eligible within 4 months of rejection, 22 cases became eligible within 5 months of rejection, and 17 cases became eligible within 6 months of rejection. Therefore, 324 of the 1,011 rejected applicants would become eligible incrementally during the first 6 months of FY 2016. The remaining 68% remained ineligible for resources, other reasons, or did not reapply.

Using the same methodology, the incremental increases for FY 2017 - FY 2020 are:

FY 2017: 136 of the 424 rejected applications would become eligible incrementally during the first six months of FY 2017.

FY 2018: 84 of the 261 rejected applications would become eligible incrementally during the first six months of FY 2018.

FY 2019: 63 of the 197 rejected applications would become eligible incrementally during the first six months of FY 2019.

FY 2020: 5 of the 17 rejected applications would become eligible incrementally during the first six months of FY 2020.

ASSUMPTION (continued)

If the resource limit is increased incrementally in SFY 2016 to SFY 2020 to \$5,085 for single individuals or \$10,170 for couples, FSD expects the above trend will continue and approximately 32% of the rejected applications will ultimately be approved within similar timeframes.

In SFY 2014, the FSD closed 529 MO HealthNet for the Aged, Blind, and Disabled (MHABD) cases due to resources. Of these closed cases, 3 were not eligible for other MHN programs. The remaining 526 (529 - 3) were eligible for QMB/SLMB and are included in the QMB/SLMB population below. The FSD estimates in FY 2016, 1 of the 3 cases closed and not eligible for other MHN programs would be eligible if the resource limit was increased to \$2,000 for individuals and \$4,000 for couples as proposed.

Using the same methodology, the incremental increases for FY 2017 - FY2020 are:

FY 2017: 1 of the 3 cases closed and not eligible for other MHN programs would be eligible if the resource limit was increased to \$3,000 for individuals and \$6,000 for a couple as proposed.

FY 2018: 0 of the 3 cases closed and not eligible for other MHN programs would be eligible if the resource limit was increased to \$4,000 for individuals and \$8,000 for a couple as proposed.

FY 2019: 0 of the 3 cases closed and not eligible for other MHN programs would be eligible if the resource limit was increased to \$5,000 for individuals and \$10,000 for a couple as proposed.

FY 2020: In FY 2014, the COLA was a 1.7% increase. For the purposes of this fiscal note response, the FSD assumes future increases will remain the same. 0 of the 3 cases closed and not eligible for other MHN programs would be eligible if the resource limit was increased to \$5,085 for individuals and \$10,170 for a couple as proposed.

The FSD would also see an increase in MHN eligibles from the QMB/SLMB population. In SFY 2014, there was an average of 1,534 QMB persons under the age of 65. Of these, 1,527 live alone and 6 live with a spouse. Of those living alone, 259 would be eligible in SFY 2016 if the resource limit was increased to \$2,000 for individuals and \$4,000 for a couple as proposed. Of those living with a spouse, 1 would be eligible.

Using the same methodology, the incremental increases for FY 2017 - FY 2020 are:

FY 2017: Of those living alone, 127 would be eligible in SFY 2017 if the resource limit was increased to \$3,000 for individuals and \$6,000 for a couple as proposed. Of those living with a spouse, 0 would be eligible.

FY 2018: Of those living alone, 76 would be eligible in SFY 2018 if the resource limit was increased to \$4,000 for individuals and \$8,000 for a couple as proposed. Of those living with a spouse, 1 would be eligible.

ASSUMPTION (continued)

FY 2019: Of those living alone, 40 would be eligible in SFY 2019 if the resource limit was increased to \$5,000 for individuals and \$10,000 for a couple as proposed. Of those living with a spouse, 0 would be eligible.

FY 2020: Of those living alone, 7 would be eligible in SFY 2020 if the resource limit was increased to \$5,085 for individuals and \$10,170 for a couple as proposed. Of those living with a spouse, 0 would be eligible. Total new MHN cases from QMB:

QMB:

FY 16: $259+1=260$

FY17: $127+0=127$

FY18: $76+1=77$

FY19: $40+0=40$

FY20: $7+0=7$

Total: 511

In SFY 2014, there was an average of 4,397 SLMB persons under the age of 65. Of these, 4,025 live alone and 372 live with a spouse. Of those living alone, 261 would be eligible in SFY 2016 if the resource limit was increased to \$2,000 for individuals and \$4,000 for a couple as proposed. Of those living with a spouse, 14 would be eligible.

Using the same methodology, the incremental increases for FY 2017 - FY 2020 are:

FY 2017: Of those living alone, 123 would be eligible in SFY 2017 if the resource limit was increased to \$3,000 for individuals and \$6,000 for a couple as proposed. Of those living with a spouse, 6 would be eligible.

FY 2018: Of those living alone, 72 would be eligible in SFY 2018 if the resource limit was increased to \$4,000 for individuals and \$8,000 for a couple as proposed. Of those living with a spouse, 1 would be eligible.

FY 2019: Of those living alone, 46 would be eligible in SFY 2019 if the resource limit was increased to \$5,000 for individuals and \$10,000 for a couple as proposed. Of those living with a spouse, 0 would be eligible.

FY 2020: Of those living alone, 8 would be eligible in SFY 2020 if the resource limit was increased to \$5,085 for individuals and \$10,170 for a couple as proposed. Of those living with a spouse, 0 would be eligible.

ASSUMPTION (continued)

Total new MHN cases from SLMB:

SLMB:

FY16: $261+14=275$

FY17: $124+6=130$

FY18: $72+1=73$

FY19: $46+0=46$

FY20: $8+0=8$

Total: 532

The FSD anticipates an increase in applications as a result of the increased resource limits. These applications would come from a previously unknown population who currently chooses not to apply due to the current resource limits. According to U.S. Census Bureau data, 12,886 Missouri individuals, age 19 or above, have a disability. FSD conducted analysis of the income levels of these individuals and concludes that it could be reasonably assumed that 25% of these individuals would become eligible for MO HealthNet benefits. If 25% of these individuals were to apply and be found eligible for MHN benefits, the FSD would see an increase of 3,222 ($12,886*25\%$) new MHN cases as the result of the increased resource limits in the first year
Total new cases:

New Cases FY 2016:

1,011 (rejections)

1 (closings)

260 (QMB)

275 (SLMB)

3,222 unknown population

Total: 4,769

New Cases FY 2017:

424 (rejections)

1 (closings)

127 (QMB)

129 (SLMB)

Total: 681

New Cases FY 2018:

261 (rejections)

0(closings)

77 (QMB)

73 (SLMB)

Total: 411

ASSUMPTION (continued)

New Cases FY 2019:

197 (rejections)
0 (closings)
40 (QMB)
46 (SLMB)
Total: 283

New Cases FY 2020:

17 (rejections)
0 (closings)
7 (QMB)
8 (SLMB)
Total: 32

FY 2016 - FY 2020

1910 (rejections)
2 (closings)
511 (QMB)
531 (SLMB)
3,222 (unknown population)
6,176 new MHN cases

The FSD assumes existing staff will be able to complete necessary additional work as a result of this proposal.

Therefore, there is no fiscal impact to the Family Support Division.

The FSD is providing the response for the **Office of Administration (OA), Information Technology Services Division (ITSD)**.

OA-ITSD assumes there will be a cost for system programming to Family Assistance Management Information System (FAMIS) for years FY 2016 – FY 2019 for the incremental asset limit changes. ITSD assumes that the annual COLA increases will be included in regular maintenance to FAMIS. It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.

It is assumed for FYs 2016 and 2017 that FAMIS programming changes will require 47.52 hours IT contract consultants at \$75/ hour or \$3,564. This cost will be split 50/50 between General Revenue (GR) and Federal funds, or \$1,782 each.

ASSUMPTION (continued)

It is further assumed for FYs 2018 and FY 2019 that FAMIS programming changes will require 95.04 hours IT contract consultants at \$75/ hour or \$7,128. This cost will be split 50/50 between GR and Federal funds, or \$3,564 each.

Oversight assumes OA-ITSD can absorb the minimal programming time required to make the changes to FAMIS and will not show these costs in the fiscal note table.

Officials from the **DSS, MO HealthNet Division (MHD)** provide that section 208.010 states that in fiscal year 2016 the resource limit for permanent and total disability claimants will increase to \$2,000 for a single person and \$4,000 for a couple. The following years the resource limits will increase by \$1,000 for a single person and \$2,000 for a couple until the sum of the resources reach the amount of \$5,000 for a single person and \$10,000 for a couple in fiscal year 2019. On September 30, 2020 and in each successive year, the division shall modify the resource limits to reflect any increases in cost-of-living, with the amount of the resource limit rounded to the nearest five cents.

MHD expects a fiscal impact because of changes to the resource limits for disabled persons. Higher cost will result from one group of Medicaid eligibles who currently receive limited medical benefits but will receive full Medicaid benefits under this legislation. New eligibles are also expected to enter the Medicaid program because of the change in eligibility rules.

The FSD identified the populations. The populations that are being proposed for full medical assistance are Qualified Medicare Beneficiary (QMB) and Specified Low-Income Medicare Beneficiary (SLMB). The other population or "new" is currently not receiving Medicaid services.

There will be an estimated 4,769 new cases in SFY 2016. There are 4,234 new cases (1,011 rejections + 1 closing + 3,222 unknown population). There are 260 QMB and 275 SLMB.

An annual cost per person was calculated for persons with disabilities using FY 2014 expenditures. Using the annual cost per person, the total cost was calculated for persons with disabilities to be \$91,965,539.

With the 260 QMB and 275 SLMB eligibles receiving full benefits, the total cost is reduced by (\$1,969,500) for a total cost of \$89,996,039.

To calculate the FY 2016 cost, it is assumed there would only be 10 months of the total cost \$74,996,700 ($\$89,996,039 * 10/12$).

The same methodology was used to calculate the costs for SFY 17 – SFY 20 adjusting for changes in the populations provided by FSD each year due to an increase in the resource limits. A 1.9% inflation rate was applied to SFY 17 – SFY 20.

ASSUMPTION (continued)

The total costs for the new cases are:

FY 2016 (10 mths): \$74,996,700 (GR \$18,154,316; Other \$9,352,224; Federal \$47,490,160);
 FY 2017: \$108,222,556 (GR \$26,360,093; Other \$13,579,441; Federal \$68,283,022);
 FY 2018: \$119,345,998 (GR \$29,069,463; Other \$14,975,178; Federal \$75,301,357); and,
 FY 2020: \$131,928,833 (GR \$32,134,302; Other \$16,554,034; Federal \$83,240,497)
 when fully implemented.

| <u>FISCAL IMPACT - State</u> <u>Government</u> | FY 2016 (10 months) | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
|--|------------------------------|------------------------------|------------------------------|-----------------------------------|
| GENERAL REVENUE FUND (\$208.010) | | | | |
| <u>Costs - DSS-MHD</u> Increase in state share of program costs for ABD persons | <u>(\$18,154,316)</u> | <u>(\$26,360,093)</u> | <u>(\$29,069,463)</u> | <u>(\$32,134,302)</u> |
| ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND | <u>(\$18,154,316)</u> | <u>(\$26,360,093)</u> | <u>(\$29,069,463)</u> | <u>(\$32,134,302)</u> |
| OTHER STATE FUNDS (various) (\$208.010) | | | | |
| Increase in state share of program costs for ABD persons | <u>(\$9,352,224)</u> | <u>(\$13,579,441)</u> | <u>(\$14,975,178)</u> | <u>(\$16,554,034)</u> |
| ESTIMATED NET EFFECT ON OTHER STATE FUNDS (various) | <u>(\$9,352,224)</u> | <u>(\$13,579,441)</u> | <u>(\$14,975,178)</u> | <u>(\$16,554,034)</u> |

| <u>FISCAL IMPACT - State Government</u> | FY 2016 (10 months) | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
|--|------------------------|-------------------|-------------------|--------------------------------|
| FEDERAL FUNDS (\$208.010) | | | | |
| <u>Income - DSS-MHD</u> | | | | |
| Increase in program reimbursements for ABD persons | \$47,490,160 | \$68,283,022 | \$75,301,357 | \$83,240,497 |
| <u>Costs - DSS-MHD</u> | | | | |
| Increase in program expenditures for ABD persons | (\$47,490,160) | (\$68,283,022) | (\$75,301,357) | (\$83,240,497) |
| ESTIMATED NET EFFECT ON FEDERAL FUNDS | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2016 (10 months) | FY 2017 | FY 2018 | Fully Implemented (FY 2020) |
|---|------------------------|-------------------|-------------------|--------------------------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

This proposal could have a direct positive impact on small business MO HealthNet providers.

FISCAL DESCRIPTION

This proposal raises the asset limits for MO HealthNet permanent and totally disabled claimants, starting in fiscal year 2016, from no greater than \$1,000 for individuals to \$2,000 and from under \$2,000 for married couples to \$4,000. For each fiscal year after 2016 until 2019, those asset limits shall be increased \$1,000 and \$2,000 respectively so that by fiscal year 2019 the limit for individuals shall be \$5,000 and for married couples \$10,000. Beginning in 2020, these limits

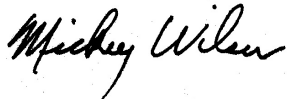
FISCAL DESCRIPTION (continued)

shall be modified to reflect any cost-of-living adjustments. Additionally, this proposal excludes from asset limit calculations medical savings accounts and independent living accounts as defined in the Ticket to Work Health Assurance Program.

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 Social Services -
 Family Support Division
 MO HealthNet Division
Office of Administration -
 Information Technology Services Division



Mickey Wilson, CPA
Director
March 17, 2014

Ross Strobe
Assistant Director
March 17, 2014