

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4386-01  
Bill No.: Truly Agreed To and Finally Passed HB 1565  
Subject: Disabilities; Medicaid/MO HealthNet; Public Assistance; Social Services  
 Department  
Type: Original  
Date: June 1, 2016

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
General Revenue	\$0	(\$27,945,951)	(\$37,724,146)	(\$45,007,989)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>(\$27,945,951)</b>	<b>(\$37,724,146)</b>	<b>(\$45,007,989)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
Various Other State Funds	\$0	(\$18,630,633)	(\$23,149,430)	(\$30,005,326)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(\$18,630,633)</b>	<b>(\$23,149,430)</b>	<b>(\$30,005,326)</b>

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 14 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
Federal*	\$0	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income and expenditures exceed \$80 million annually starting in FY 2018.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2022)
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS)** provide the following:

#### §208.010 - Asset Limits

**Family Support Division (FSD)** officials state 208.010.2 (7) states that in fiscal year 2018 the resource limit for MO HealthNet Division (MHD) blind claimants, MHD aged claimants, and MHD permanent and total disability claimants will increase to \$2,000 for a single person and \$4,000 for a couple. For 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 reaches the amount of \$5,000 for a single person and \$10,000 for a couple in fiscal year 2021. Beginning in fiscal year 2022 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. The FSD determined there would be a total of 10,005 new cases for MO HealthNet Aged, Blind, and Disabled (MHABD) program(s) through FY 2022 if the resource limits are increased as proposed.

The FSD arrived at 10,005 new cases in this manner:

In State Fiscal Year (SFY) 2015, the FSD rejected (due to excess resources) 5,449 MO HealthNet (MHN) applications. Of these rejected applications, 4,221 were rejected for all FSD MO HealthNet programs. The remaining 1,228 (5,449 - 4,221) 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 that in FY 2018, 901 of the 4,221 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.

Using the same methodology, the incremental increases for FY 2019 - FY 2022 are:

FY 2019: 442 of the 4,221 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 2020: 300 of the 4,221 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.

ASSUMPTION (continued)

FY 2021: 212 of the 4,221 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 2022: In FY 2014, the COLA was a 1.7% increase. In FY 2015 there was not a COLA increase, however for the purpose of estimating, the FSD assumes future increases will be the same as FY 2014 or a 1.7% increase. 25 of the 4,221 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.

Total new MHN Cases from Rejections:

FY 2018: 901  
FY 2019: 442  
FY 2020: 300  
FY 2021: 212  
FY 2022: 25  
Total: 1,880

In the first six months of SFY 2015, 373 or approximately 50% of applications rejected for all programs were eventually approved after they spent their assets down below the applicable resource limit. 272 became eligible within 1 month of rejection, 33 cases became eligible within 2 months of rejection, 25 cases became eligible within 3 months of rejection, 16 cases became eligible within 4 months of rejection, 15 cases became eligible within 5 months of rejection, and 12 cases became eligible within 6 months of rejection. Therefore, 451 of the 901 rejected applicants would become eligible incrementally during the first 6 months of FY 2018. The remaining 50% remained ineligible for resources, other reasons, or did not reapply.

Using the same methodology, the incremental increases for FY 2019 - FY 2022 are:

FY 2019: 221 of the 442 rejected applications would become eligible incrementally during the first six months of FY 2019.

FY 2020: 150 of the 300 rejected applications would become eligible incrementally during the first six months of FY 2020.

FY 2021: 106 of the 212 rejected applications would become eligible incrementally during the first six months of FY 2021.

FY 2022: 13 of the 25 rejected applications would become eligible incrementally during the first six months of FY 2022.

ASSUMPTION (continued)

If the resource limit is increased incrementally in SFY 2018 to SFY 2022 to \$5,085 for single individuals or \$10,170 for couples, FSD expects the above trend will continue and approximately 50% of the rejected applications will ultimately be approved within similar timeframes.

In SFY 2015, the FSD closed 918 MO HealthNet for the Aged, Blind, and Disabled (MHABD) cases due to resources. Of these closed cases, 8 were not eligible for other MHN programs. The remaining 910 (918 - 8) were eligible for QMB/SLMB and are included in the QMB/SLMB population below. The FSD estimates in FY 2018, 3 of the 8 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 2019 - FY 2022 are:

FY 2019: 2 of the 8 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 2020: 0 of the 8 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 2021: 0 of the 8 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 2022: In FY 14, the COLA was a 1.7% increase. In FY 15 there was not a COLA increase, however for the purpose of estimating, the FSD assumes future increases will be the same as FY 14 or 1.7% annually. 0 of the 8 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.

Total new MHN cases from Closures:

FY 2018: 3  
FY 2019: 2  
FY 2020: 0  
FY 2021: 0  
FY 2022: 0  
Total: 5

ASSUMPTION (continued)

The FSD would also see an increase in MHN eligibles from the QMB/SLMB population. In SFY 2015, there was an average of 4,605 QMB persons. Of these, 4,366 live alone and 239 live with a spouse. Of those living alone, 805 would be eligible in SFY 2018 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, 59 would be eligible.

Using the same methodology, the incremental increases for FY 2019 - FY 2022 are:

FY 2019: Of those living alone, 418 would be eligible in SFY 2019 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, 35 would be eligible.

FY 2020: Of those living alone, 248 would be eligible in SFY 2020 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, 16 would be eligible.

FY 2021: Of those living alone, 141 would be eligible in SFY 2021 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, 6 would be eligible.

FY 2022: Of those living alone, 18 would be eligible in SFY 2021 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:

FY 2018:  $805+59= 864$   
FY 2019:  $418+35= 453$   
FY 2020:  $248+16=264$   
FY 2021:  $141+6=147$   
FY 2022:  $18+0=18$   
Total: 1,746

In SFY15, there was an average of 11,523 SLMB persons. Of these, 9,635 live alone and 1,888 live with a spouse. Of those living alone, 951 would be eligible in SFY 2018 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, 191 would be eligible.

ASSUMPTION (continued)

Using the same methodology, the incremental increases for FY 2019- FY 2022 are:

FY 2019: Of those living alone, 463 would be eligible in SFY 2019 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, 115 would be eligible.

FY 2020: Of those living alone, 330 would be eligible in SFY 2020 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, 64 would be eligible.

FY 2021: Of those living alone, 191 would be eligible in SFY 2021 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, 45 would be eligible.

FY 2022: Of those living alone, 22 would be eligible in SFY 2022 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, 2 would be eligible.

Total new MHN cases from SLMB:

FY 2018:  $951+191=1,142$

FY 2019:  $463+115=578$

FY 2020:  $330+63=394$

FY 2021:  $191+45=236$

FY 2022:  $22+2=24$

Total: 2,374

The FSD anticipates an increase in applications as a result of the increased resource limits. These applications would come from a previously unknown population which currently chooses not to apply due to the current resource limits. According to U.S. Census Bureau data, 23,960 Missouri individuals, age 19 or above, have a disability. FSD conducted an analysis of the income levels of these individuals and found 7,716 of these individuals have income between 0% and 100% of the Federal Poverty Level (FPL) and 16,243 ( $7,716+16,243=23,960$ ) of these individuals have income above 100% of FPL. Individuals with income less than 85% of FPL receive full MO HealthNet benefits, with no spend down. For the purpose of this calculation, FSD is using 100% due to Census data parameters. In turn, individuals with income above 100% receive MO Healthnet benefits after meeting a monthly spend down. In FY 2014, FSD determined that approximately 35% of individuals in the unknown population had income up to 100% of FPL. Using the same methodology, in FY 2015, 35% or 2,701 ( $7,716 \times 0.35$ )

ASSUMPTION (continued)

individuals would receive full MO HealthNet benefits. FSD determined that in FY 2015, 32% of individuals with income above 100% FPL met their spend down. Using that same methodology, if 32% of the unknown population with income above 100% would meet their spend down, 5,198 (16,243 X 0.32) individuals would receive MHN benefits after meeting spend down, if they applied and were found eligible. FSD concludes that it could be reasonably assumed that 35% of individuals with income below 100% of FPL and 25% of individuals with income above 100% FPL would apply and be eligible for MO HealthNet benefits. FSD would see an increase of 2,701 (7,716 X 0.35) individuals with no spend down and 1,299 (5,198 X 0.25) individuals with a spend down, or a total of 4,000 new MHN cases as a result of the increased resource limits in the first year.

**NOTE:** The 2014 Current Population Survey Annual Social and Economic Supplement (CPS ASEC) used redesigned measures of health insurance coverage. The Census Bureau completed more than a decade of research, evaluation, and consultation with outside experts to implement this approach, which is shown to improve the accuracy of health insurance coverage measurement. Due to these changes in the measurement, there has been a significant increase identified in the uninsured disabled population compared to what was reported as 12,886 in the prior year U.S. Census Bureau data.

Total new cases from Unknown Population:

FY 2018: 4,000

**Total new cases:**

FY 2018:

901 (rejections)

3 (closings)

864 (QMB)

1,142 (SLMB)

4,000 unknown population

Total: 6,910

FY 2019:

442 (rejections)

2 (closings)

453 (QMB)

264(SLMB)

Total: 1,475



ASSUMPTION (continued)

FY 2020:

300 (rejections)  
0 (closings)  
264 (QMB)  
394 (SLMB)

Total: 958

FY 2021:

212 (rejections)  
0 (closings)  
147 (QMB)  
236 (SLMB)

Total: 595

FY 2022:

25 (rejections)  
0 (closings)  
18 (QMB)  
24 (SLMB)

Total: 67

**FY 2018- FY 2022**

1,880 (rejections)  
5 (closings)  
1,746 (QMB)  
2,374 (SLMB)  
4,000 (unknown population)

Total All Years: **10,005 new MHN cases**

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

The FSD also assumes Office of Administration, Information Technology Services Division (OA-ITSD) will include the Family Assistance Management Information System (FAMIS) programming costs for the system changes as well as the system generated notice needed to implement provisions of this bill in their response.

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

ASSUMPTION (continued)

**Mo HealthNet Division (MHD)** officials provide that section 208.010 states that in fiscal year 2018 the resource limit for MHD blind claimants, MHD aged claimants, and MHD 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 reaches the amount of \$5,000 for a single person and \$10,000 for a couple in fiscal year 2021. Beginning in fiscal year 2022 and in each successive year thereafter, 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. The MHD expects a fiscal impact because of changes to the resource limits for blind, elder, and 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 6,910 new cases in SFY 2018. There are 4,904 new cases (901 rejections + 3 closing + 4,000 unknown population). There are 864 QMB and 1,142 SLMB.

An annual cost per person was calculated for persons with disabilities and seniors using FY 2015 expenditures. Using the annual cost per person, a total cost of \$126,705,327 and \$7,532,828 was calculated for persons with disabilities and seniors respectively for a total cost of \$134,238,155. These figures include Medicaid costs for the Department of Mental Health (DMH) and Department of Health and Senior Services (DHSS). With the 864 QMB and 1,142 SLMB eligibles receiving full benefits, the total cost is reduced by the current premium payments for these eligibles (\$7,574,976) for a total cost of \$126,663,179.

The same methodology was used to calculate the costs for SFY 2019 - SFY 2022 adjusting for changes in the populations each year due to an increase in the resource limits. A 3% inflation rate was applied to SFY 2018 - SFY 2022.

The total costs for the new cases are:

FY 2017: \$0;  
FY 2018: \$126,663,179 (GR \$27,945,951; Other \$18,630,633; Federal \$80,086,868);  
FY 2019: \$157,384,902 (GR \$37,724,146; Other \$23,149,430; Federal \$99,511,326); and  
FY 2022: \$203,995,745 (GR \$45,007,989; Other \$30,005,326; Federal \$128,982,430) fully implemented.

ASSUMPTION (continued)

DSS officials submitted the response for this proposal from the **Office of Administration, Information Technology Services Division (OA/ITSD/DSS)**. OA/ITSD states asset limits are maintained as table values and can be changed relatively easily without making massive changes to the determination process. This process will be started in 2018 and repeated every year till 2021. Adding MO HealthNet aged, blind or permanently disabled claimants doesn't change the level of effort for this fiscal note. Cost-of-living adjustments are included in regulation maintenance of FAMIS and will have no impact. OA/ITSD estimates it will take contract IT consultants 47.52 hours at \$75 per hour to make the changes necessary. Total costs are estimated to be \$3,564 annually, split 50/50 Federal/State.

**Oversight** assumes OA/ITSD will be able to absorb the minimal costs associated with making the necessary FAMIS system changes within its current funding levels.

Officials from the **Department of Mental Health (DMH)** state the proposed legislation increases the MO HealthNet available asset limit for persons age 65 and over and persons with disabilities to \$2,000 for single individuals and \$4,000 for married couples starting in FY 2018. It states that those limits apply to MO HealthNet for the blind, but this is not a change as the current limit for the blind is \$2,000 for single individuals and \$4,000 for married couples. The legislation also excludes from the asset limit medical savings accounts and independent living accounts that are established from earnings while a person is receiving MO HealthNet under section 208.146 (the Ticket to Work Health Assurance Program). The asset limits are increased by \$1,000 per year for single individuals and \$2,000 for married couples until the limits reach \$5,000 and \$10,000. Beginning in FY 2022, the limits are to increase annually based on any increases in the cost-of-living as measured by the U.S. Department of Labor's Consumer Price Index (CPI).

Department of Social Services (DSS) estimates this would add 10,005 new eligibles to the MO HealthNet program through FY 2022 – 6,910 in FY18, 1,475 in FY19, 958 in FY20, 595 in FY21, and 67 in FY22. Of the 10,005 new eligibles, DMH estimates 461 currently receive community psychiatric rehabilitation (CPR) services and 135 receive substance use treatment as non-Medicaid consumers at an annual cost of approximately \$347,000. Covering these consumers under MO HealthNet would allow DMH to re-direct these state funds to provide additional CPR and substance abuse treatment. Also, there will be additional individuals with substance use disorders, serious mental illness, or developmental disabilities (DD) who qualify due to the increased asset limit. The anticipated impact to DMH is unknown exceeding \$100,000 annually; costs for CPR, comprehensive substance use treatment and rehabilitation (CSTAR), and DD services for the additional individuals and the current DMH consumers moving to MO HealthNet are included in the DSS estimate.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2022)
<b>GENERAL REVENUE FUND</b>				
<u>Costs - DSS</u> (§208.010)				
Increase in state share of program costs for ABD claimants	<u>\$0</u>	<u>(\$27,945,951)</u>	<u>(\$37,724,146)</u>	<u>(\$45,007,989)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(\$27,945,951)</u></b>	<b><u>(\$37,724,146)</u></b>	<b><u>(\$45,007,989)</u></b>
<b>OTHER STATE FUNDS (Various)</b>				
<u>Costs - DSS</u> (§208.010)				
Increase in state share of program costs for ABD claimants	<u>\$0</u>	<u>(\$18,630,633)</u>	<u>(\$23,149,430)</u>	<u>(\$30,005,326)</u>
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS (Various)</b>	<b><u>\$0</u></b>	<b><u>(\$18,630,633)</u></b>	<b><u>(\$23,149,430)</u></b>	<b><u>(\$30,005,326)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2022)
<b>FEDERAL FUNDS</b>				
<u>Income - DSS</u> (\$208.010)				
Increase in program reimbursements for ABD claimants				
	\$0	\$80,086,868	\$99,511,326	\$128,982,430
<u>Costs - DSS</u> (\$208.010)				
Increase in program expenditures for ABD claimants				
	<u>\$0</u>	<u>(\$80,086,868)</u>	<u>(\$99,511,326)</u>	<u>(\$128,982,430)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2022)
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

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

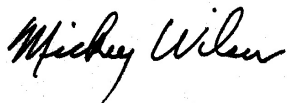
FISCAL DESCRIPTION

This bill increases the asset limits for MO HealthNet permanent and totally disabled claimants, MO HealthNet blind claimants, and MO HealthNet aged claimants starting in fiscal year 2018, from no greater than \$1,000 for individuals to \$2,000 and from no greater than \$2,000 for married couples to \$4,000. For each fiscal year after 2018 through 2021, those asset limits will be increased \$1,000 and \$2,000 respectively so that by fiscal year 2021 the limit for individuals will be \$5,000 and for married couples \$10,000. Beginning in fiscal year 2022, these limits must be modified to reflect any cost-of-living adjustments. The bill 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 Mental Health  
Department of Social Services -  
    Family Support Division  
    MO HealthNet Division



Mickey Wilson, CPA  
Director  
June 1, 2016

Ross Strobe  
Assistant Director  
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