

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0519-01
Bill No.: SB 28
Subject: Administrative Rules; Boards, Commissions, Committees, and Councils; General Assembly; Health Care; Medicaid; Public Assistance; Social Services Department
Type: Original
Date: January 10, 2017

Bill Summary: This proposal requires the Department of Social Services to apply for a global waiver for MO HealthNet.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$312,227)	(\$340,680)	(\$342,211)
Total Estimated Net Effect on General Revenue	(\$312,227)	(\$340,680)	(\$342,211)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenses exceed \$600,000 annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	1.5	1.5	1.5
Federal	1.5	1.5	1.5
Total Estimated Net Effect on FTE	3	3	3

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 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§208.1205 - Global waiver for MO HealthNet

Officials from the **Department of Social Services (DSS)**, **MO HealthNet Division (MHD)** and **Division of Legal Services (DLS)** provide the following assumptions:

MHD assumes the proposed global waiver will reform or supplement the existing MO HealthNet payment structure and require additional resources to design, draft, and implement such a waiver. MHD assumes consultant services would be utilized for their expertise in program and medical benefit considerations, legal review and guidance, and information technology strategies. MHD assumes this will require a 35% increase in existing consultant fees; therefore, MHD assumes an additional \$625,544 total funds will be needed annually until the contents of the global waiver are implemented. A one-time \$50,000 actuarial study will also be necessary to determine the impact such a waiver would have on the existing MO HealthNet Managed Care program.

MHD anticipates additional staff will also be required to prepare for and administer the global waiver; to provide timely responses to inquiries from the Joint Committee on Public Assistance, legislative members, provider groups, and advocates regarding such a waiver; and provide on-going oversight and administration for the new health care model. MHD estimates 3 FTE in the areas of program policy, IT technical management, and legal counsel will be needed. These additional staff will serve as liaisons between the consultants and department; provide data, policy analysis, and on-going support to administer the global waiver initiative.

MHD further assumes this legislation will not inhibit the Division's ability to apply for and implement waivers or block grants that are required by the Centers for Medicare and Medicaid Services (CMS), the state legislature, or executive branch.

Oversight assumes the DSS would not need additional rental space for 3 new FTE for this single proposal. However, Oversight notes, depending on the number of proposals passed during the legislative session, that accumulatively, DSS may need additional rental space or capital improvements as determined by the Office of Administration, Facilities Management, Design and Construction.

DLS defers to MHD for any fiscal impact to that division.

Oversight notes, with the exception of the contract consultant costs, costs are split 50%/50% between General Revenue and Federal Funds.

ASSUMPTION (continued)

Officials from the **Department of Mental Health (DMH)** state the proposed legislation requires the Department of Social Services to apply for a global waiver for Medicaid (MO HealthNet) that would allow the state flexibility to design a health care system that could include: Work requirements for some able-bodied adults; initiatives to promote healthy outcomes and reward personal responsibility that might use co-payments, premiums and health savings accounts; and provisions that propose or accept a federally-capped Medicaid block grant. While this legislation denotes the administrative steps to be taken in the process of applying for and obtaining a global waiver for MO HealthNet, it does not set forth any specific changes to physical or mental health care services or how those services are provided (Section 208.1205). All applicable laws relating to MO HealthNet will remain in effect until statutory changes are enacted. Proposed statutory changes will be discussed during public meetings held by the Joint Committee on Public Assistance (Section 208.1210). Section 208.1215 lists what authority the Joint Committee on Public Assistance has when the waiver has been approved. The Department of Social Services will, to the fullest extent possible, ensure waiver authorities are reinstated prior to any suspension, termination, or expiration of the global waiver (Section 208.1220).

DMH assumes 1 FTE will be needed to assist MO HealthNet with the waiver application.

DMH costs and/or cost savings for the above changes and FTE will be included in DSS costs and/or cost savings to the MO HealthNet program.

Officials from the **Department of Health and Senior Services** defer to the Department of Social Services to calculate the fiscal impact of the proposed legislation.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Office of 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 act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the 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 the office can sustain with the core budget. Therefore, the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Costs - DSS (\$208.1205)</u>			
Personal service	(\$90,635)	(\$109,850)	(\$110,948)
Fringe benefits	(\$39,876)	(\$48,175)	(\$48,502)
Consultant contracting	(\$148,700)	(\$178,441)	(\$178,441)
Actuarial study	(\$25,000)	\$0	\$0
Equipment and expense	(\$8,016)	(\$4,214)	(\$4,320)
Total <u>Costs - DSS</u>	<u>(\$312,227)</u>	<u>(\$340,680)</u>	<u>(\$342,211)</u>
FTE Change - DSS	1.5 FTE	1.5 FTE	1.5 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND			
	<u>(\$312,227)</u>	<u>(\$340,680)</u>	<u>(\$342,211)</u>

Estimated Net FTE Change on the General Revenue Fund	1.5 FTE	1.5 FTE	1.5 FTE
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<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
FEDERAL FUNDS			
<u>Income - DSS (\$208.1205)</u>			
Program reimbursements	\$536,112	\$609,344	\$610,873
<u>Costs - DSS (\$208.1205)</u>			
Personal service	(\$90,635)	(\$109,850)	(\$110,948)
Fringe benefits	(\$39,876)	(\$48,175)	(\$48,502)
Consultant contracting	(\$372,586)	(\$447,104)	(\$447,104)
Actuarial study	(\$25,000)	\$0	\$0
Equipment and expense	(\$8,015)	(\$4,215)	(\$4,319)
Total <u>Costs - DSS</u>	<u>(\$536,112)</u>	<u>(\$609,344)</u>	<u>(\$610,873)</u>
FTE Change - DSS	1.5 FTE	1.5 FTE	1.5 FTE
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Estimated Net FTE Change on Federal Funds	1.5 FTE	1.5 FTE	1.5 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<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

Under this act, the Department of Social Services shall apply for a global waiver for the MO HealthNet program designed to give the state greater flexibility to implement a patient-centered, sustainable, and cost-effective market-based health care system that emphasizes competitive and value-based purchasing. Such flexibility may include: (1) eligibility determinations that include work requirements for certain able-bodied adults; (2) initiatives to promote healthy outcomes personal responsibility, including co-payments, premiums, and health savings accounts; and (3) accountability and transparency measures.

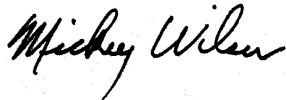
If the waiver application is accepted by the federal government, the Department shall propose the necessary statutory changes to implement the waiver. Until such time as the proposed changes are enacted by the General Assembly, the existing laws relating to MO HealthNet shall remain in effect.

In the event that the global waiver is suspended or terminated or expires for any reason, the Department shall apply for an extension of the global waiver or any new waivers that, at a minimum, ensure the continuation of the waiver authorities in place prior to the acceptance of the global waiver. The Department shall ensure that any such actions are conducted in accordance with applicable federal statutes and regulations. The Department shall, to the fullest extent possible, ensure that the waiver authorities are reinstated prior to any suspension, termination, or expiration of the global waiver.

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
 Division of Legal Services
Joint Committee on Administrative Rules
Office of Secretary of State



Mickey Wilson, CPA
Director
January 10, 2017

Ross Strobe
Assistant Director
January 10, 2017