

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6008-02
Bill No.: HCS for HB 2171
Subject: Disabilities; Public Assistance; Social Services Department
Type: Original
Date: February 21, 2018

Bill Summary: This proposal modifies provisions relating to the blind pension fund.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| General Revenue | (\$493,404) to \$341,767 | (\$554,900) to \$459,810 | (\$566,752) to \$482,559 |
| Total Estimated Net Effect on General Revenue | (\$493,404) to \$341,767 | (\$554,900) to \$459,810 | (\$566,752) to \$482,559 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------------|------------------|------------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| Blind Pension | \$782,140 | \$938,568 | \$938,568 |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$782,140 | \$938,568 | \$938,568 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| Federal* | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

* Savings and losses between \$200,000 and \$1.9 million annually and net to \$0.

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| 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 2019 | FY 2020 | FY 2021 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS), Family Support Division (FSD)** and **MO HealthNet Division (MHD)** state Section 209.030 adds a provision excluding individuals who obtain, maintain or renew a valid driver's license unless they relinquish such license, and who operate a motor vehicle, from eligibility for Blind Pension (BP) benefits. It also adds a provision applying an income cap of 500% of the Federal Poverty Level (FPL) of a blind person's sighted spouse's income as it relates to family composition in the determination of eligibility. Section 209.040 adds clarifying language to define blindness as a program requirement for Supplemental Aid to the Blind (SAB) and BP benefits and allows the DSS to require any applicant or recipient to submit to a vision test or reexamination if there is reason to believe the individual is not eligible for the pension.

The **FSD** estimates that 225 individuals will lose SAB/BP eligibility if the provisions of this legislation are enacted. The FSD determined the number of individuals who could lose eligibility in the following manner:

In SFY 2017, there was an average of 2,874 BP recipients. Of those 2,874 recipients, 29 had a sighted spouse with income of 500% of FPL or higher. All 29 of these individuals would lose eligibility due to the application of an income test to a blind person's sighted spouses' income as a condition of eligibility.

At this time, it is unknown how many individuals could lose eligibility by adding more restrictive language allowing for FSD to seek visual reexamination, exclude individuals who obtain, maintain, or renew a driver's license, and who would not meet the clarified definition of blindness. FSD estimates that approximately 5% of the total SAB/BP population would lose eligibility by adding each provision of more restrictive language. Due to this, FSD is using 5% to the total to determine the individuals who will be affected.

In State Fiscal Year (SFY) 2017, there was an average of 3,925 BP and SAB recipients (2,874 BP + 1,051 SAB). Using the 5% assumption from above, The FSD estimates that approximately 196 [(2,874 BP * 0.05 = 143.7, rounded up) + (1,051 SAB * 0.05 = 52.55, rounded down) = 196 total] individuals would lose eligibility.

Total Estimated Reduction of Eligible Individuals:

| | |
|------------|---|
| 29 | Income of Sighted Spouse over 500% |
| <u>196</u> | Restrictive Language |
| 225 | Total BP and SAB recipients losing benefits |

ASSUMPTION (continued)

This legislation also proposes to increase the resource limit from \$20,000 to \$30,000 and exclude the first \$100,000 of a participant's ABLE (Achieving a Better Life Experience) account. The FSD estimates that this change could add 110 individuals to BP. In SFY 2017, the number of persons rejected or closed for excessive resources was 151. Of these 151, 110 had assets of less than \$30,000. Of 151 total persons rejected or closed due to resources, none had ABLE accounts.

Total New Cases from Rejections:

110 Resources under \$30,000

Net Adjustment to BP Population:

225 Losing eligibility due to income and language changes

110 Newly eligible under asset changes

115 Net reduction in BP eligibles

In SFY 18, BP cash payments are \$738 per month. The FSD is using this amount to calculate the cost savings due to the loss of eligibility from applying the income cap of 500% to individuals with sighted spouses and the addition of more restrictive language for eligibility for BP and the new eligible individuals due to the asset limit increase from \$20,000 to \$30,000.

The total number who would lose eligibility due to application of the income cap is 29. The FSD estimates that the **SFY 19** (September 2018 - June 2019) **savings will be \$214,020** (\$738*29 individuals *10 months) and a **full year** of savings is estimated at **\$256,824** (\$738*29 individuals *12 months) in BP cash benefits due to this change.

The total number of BP recipients who could potentially lose eligibility due to the addition of restrictive language is 144. The FSD estimates that the **SFY 19** (September 2018 - June 2019) **savings will be \$1,062,720** (\$738*144 individuals *10 months) and a **full year** of savings is estimated at **\$1,275,264** (\$738*144 individuals *12 months) in BP cash benefits.

The number of newly eligible BP recipients who could gain eligibility due to the change in asset limits is 110. The FSD estimate that the SFY 19 (September 2018 - June 2019) **cost for these individuals would be \$ 811,800** (\$738*110 individuals *10months) and **full year** of costs being **\$974,160** (\$738*110 individuals *12 months).

ASSUMPTION (continued)

In SFY 18, the projected estimated average SAB cash payment is \$610 per month. The FSD is using this amount to calculate the cost savings due to the individuals losing SAB eligibility due to the addition of restrictive language. The total number of SAB recipients who could potentially lose eligibility is 52. The FSD estimates that the **SFY19** (September 2018 - June 2019) **savings will be \$317,200** ($\$610 \times 52 \text{ individuals} \times 10 \text{ months}$), and a **full year** of savings is estimated at **\$380,640** ($\$610 \times 52 \text{ individuals} \times 12 \text{ months}$) in SAB cash benefits.

Estimated SFY 19 Savings (10 months):

BP: \$464,940 ($(214,020 + 1,062,720) - (811,800)$)
SAB: \$317,200
Total: \$782,140

Estimated 12 Month Savings:

BP: \$557,928 ($(256,824 + 1,275,264) - 974,160$)
SAB: \$380,640
Total: \$938,568

Additionally, this bill stipulates that notices to BP recipients will be sent by certified mail. In SFY 2017, an average of 2,185 notices for applications and other notices were sent monthly to 129 BP applicants (1,551 applicants annually/12 months) and 2,874 BP participants. The FSD estimates that the proposed legislation would leave 2,764 (2,874-110) BP participants and 129 BP applicants with an average of 2,893 BP participants/applicants receiving notices monthly. The FSD further estimates that the cost of sending notices to these participants via certified mail would be \$11,572 - \$ 20,251 monthly depending on whether the FSD would receive a card indicating that the mail was received.

2,893 Notices monthly * \$4.00 (no card) = \$11,572
34,716 (2,893*12) Notices annually * \$4.00 (no card) = \$138,864
2,893 Notices monthly * \$7.00 (with card) = \$20,251
34,716 (2,893*12) Notices annually * \$7.00 (with card) = \$243,012

MO HealthNet Division (MHD) would also see a change in the Blind Medical program. It is estimated that from 29 to 225 individuals could lose SAB/BP eligibility if the provisions of this legislation are enacted.

In SFY 2017, there was an average of 2,874 Blind Pension recipients. Of those 2,874 recipients, 29 had a sighted spouse with income of 500% or higher. All 29 of these individuals would lose eligibility due to the application of an income test to a blind person's sighted spouses' income as a condition of eligibility.

ASSUMPTION (continued)

At this time, it is unknown how many individuals could lose eligibility by adding more restrictive language allowing for FSD to seek visual reexamination, exclude individuals who obtain, maintain, or renew a driver's license, and who would not meet the clarified definition of blindness. FSD estimates that approximately 0-5% of the total SAB/BP population will lose eligibility by adding each provision of more restrictive language. Due to this, MHD is using 5% total to determine the individuals who will be affected.

In SFY 2017, there was an average of 3,925 BP and SAB recipients (2,874 BP+1,051 SAB). Using the 5% assumption from above, The FSD estimates that approximately 196 $((2,874 * .05 = 143.7, \text{ rounded up}) + (1051 * .05 = 52.55, \text{ rounded down}) = 196 \text{ total})$ individuals would lose eligibility.

Reduction of Eligible Individuals:

29 (Income of Sighted Spouse over 500%) (minimum)
196 (Restrictive Language)(potential range)
225 (Total)(potential maximum)

This legislation also proposes to increase the resource limit from \$20,000 to \$30,000 and to exclude the first \$100,000 of a participant's ABLE account. The FSD estimates that this change could add 110 individuals to BP. In SFY 2017, the number of persons rejected or closed for excessive resources was 151. Of these 151, 110 had assets of less than \$30,000. Of 151 total persons rejected or closed due to resources, none had ABLE accounts.

Net Adjustment to BP Population (assumed):

- 29-225 Blind Pension participants will lose eligibility due to income and language changes
- 110 Pensioners will be newly eligible for Blind Pension Medical.

Due to the individuals who could lose their eligibility by adding more restrictive language, MHD assumes there will be a range of possible savings. MHD used the number of individuals from each program (BP and SAB) that could be lost and took those numbers times the per member per month (PMPM) expenditure rate of each program in Blind Medical to find the total savings.

For the individuals who could lose eligibility due to their sighted spouse having an income of 500% or above the federal poverty level, MHD took the total number of individuals (29) times the PMPM of the Blind Pension Blind Medical (\$888.37) times 12 (months) to equal a total of \$309,153.

ASSUMPTION (continued)

For the individuals who could lose eligibility due to the other restrictive language, MHD used a **range** from 0 to 5 percent to calculate the total savings. Therefore, MHD took the total number of individuals from the BP program possibly affected (0 - 144) times the Blind Medical PMPM of the BP (\$888.37) times 12 (months) to equal a total of \$0 - \$1,535,103. MHD also took the total number of individuals from the SAB Blind Medical program possibly affected (0 - 52) times the PMPM of the SAB Blind Medical (\$1,579.94) times 12 (months) to equal a total of \$0 - \$985,883. The total costs savings of individuals who could lose eligibility due to other restrictive language would be a range of \$0 - \$2,520,986.

For the individuals for whom the Blind Pension Blind Medical could see an increase in population from the resource limit increase from \$20,000 to \$30,000, MHD took the total number of new individuals (110) times the PMPM of the Blind Pension Blind Medical (\$888.37) times 12 (months) to equal a total of \$1,172,648.

MHD assumes a 3.8% inflation rate for FY20 and FY21. Since MHD is using a range from 0 to 5 percent to calculate the possible savings from the other restrictive language, there could be either a cost or a savings from this legislation depending on if 0% is used or 5%. MHD will show the range below as a (cost) if 0% is used, or a savings if 5% is used.

All ranges are expressed in cost () to savings.

FY19 (10 mo.): Total: (\$719,580) - \$1,381,242 [GR (\$250,392) - \$480,631;
FF (\$469,188) - \$900,611];
FY20: Total: (\$896,308) - \$1,720,475 [GR (\$311,888) - \$598,674;
FF (\$584,420) - \$1,121,801];
FY21: Total: (\$930,368) - \$1,785,853 [GR (\$323,740) - \$621,423;
FF (\$606,628) - \$1,164,430]

The **Grand Total for the Department** (Blind Pension and Blind Medical Savings) is:

FY19 (10 mo.): Total: (\$180,452) - \$2,024,518 [GR (\$493,404) - \$341,767;
FF (\$469,188) - \$900,611; Other Fund (BP Fund 621) \$782,140];
FY20: Total: (\$200,752) - \$2,520,179 [GR (\$554,900) - \$459,810;
FF (\$311,888) - \$598,674; Other Fund (BP Fund 621) \$938,568];
FY21: Total: (\$234,812) - \$2,585,557 [GR (\$566,752) - \$482,559;
FF: (\$323,740) - \$1,164,430; Other Fund (BP Fund 621) \$938,568].

ASSUMPTION (continued)

Officials from the **Department of Revenue** and the **Office of State Treasurer** each assume the proposal would not fiscally impact their respective agencies.

Oversight notes, for fiscal note purposes regarding the DSS General Revenue fiscal impact of this proposal, notices that have to be sent that include cards will result in a greater mailing cost and lower potential savings; likewise, if notices are sent without a card, costs will be lower and savings will be higher. For this fiscal note Oversight will subtract lower costs from higher savings and subtract higher costs from lower savings to provide the fiscal impact range.

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|---|--|--|--|
| GENERAL REVENUE FUND | | | |
| <u>Effect - DSS (§209.030 & 208.040)</u> | | | |
| Blind pension medical changes | (\$250,392) to \$480,631 | (\$311,888) to \$598,674 | (\$323,740) to \$621,423 |
| <u>Costs - DSS (§209.030 & 208.040)</u> | | | |
| Mailing costs | <u>(\$138,864 to \$243,012)</u> | <u>(\$138,864 to \$243,012)</u> | <u>(\$138,864 to \$243,012)</u> |
| ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND | <u>(\$493,404) to \$341,767</u> | <u>(\$554,900) to \$459,810</u> | <u>(\$566,752) to \$482,559</u> |
| BLIND PENSION (#0621) | | | |
| <u>Savings - DSS (§209.030 & 208.040)</u> | | | |
| Reduction in blind pension expense for sighted spouse, BP language and SAB language changes | \$1,593,940 | \$1,912,728 | \$1,912,728 |
| <u>Costs - DSS (§209.030 & 208.040)</u> | | | |
| New eligibles costs | <u>(\$811,800)</u> | <u>(\$974,160)</u> | <u>(\$974,160)</u> |
| ESTIMATED NET EFFECT ON THE BLIND PENSION FUND | <u>\$782,140</u> | <u>\$938,568</u> | <u>\$938,568</u> |

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| FEDERAL FUNDS | | | |
| <u>Savings - DSS (§209.030 & 208.040)</u> | | | |
| Reduction in of blind pension medical expenses | \$167,981 to \$1,537,779 | \$209,237 to \$1,915,458 | \$217,188 to \$1,988,245 |
| <u>Losses - DSS (§209.030 & 208.040)</u> | | | |
| Reduction in reimbursements received for blind pension medical expenses | <u>(\$167,981 to \$1,537,779)</u> | <u>(\$209,237 to \$1,915,458)</u> | <u>(\$217,188 to \$1,988,245)</u> |
| ESTIMATED NET EFFECT ON FEDERAL FUNDS | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| | | | |
| <u>FISCAL IMPACT - Local Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
| | <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

This bill specifies, a person who obtains, maintains, or renews a valid driver's license, who operates a motor vehicle, who is not blind, or who has violated a particular state law regarding the Blind Pension Fund shall not be entitled to a blind pension. Additionally, a person whose sighted spouse's annual income equals or exceeds 500% of the federal poverty level shall not be eligible. The Department of Social Services may require any applicant for or recipient of the blind pension to submit to a vision test or reexamination if there is reason to believe the person is not eligible for the pension.

This proposal increases the resource limit from \$20,000 to \$30,000 and would exclude the first \$100,000 of a participant's ABLE account.

This proposal stipulates that notice to Blind Pension recipients will be sent by certified mail.

FISCAL DESCRIPTION (continued)

Finally, this bill requires the department to submit to the General Assembly a projected estimate of the monthly pension payment for each upcoming fiscal year based on the department's estimate of projected revenue from the blind pension tax levied, the projected balance in the Blind Pension Fund, the projected cash flow estimates to the fund, and estimates of the number of eligible persons. The estimated change in the monthly payment for the upcoming fiscal year shall be calculated as one-twelfth of the quotient obtained by dividing 75% of the annual change in the amount of funds in the fund for the preceding fiscal year by the projected number of eligible persons.

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
Department of Revenue
Office of State Treasurer

Ross Strobe



Acting Director
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