

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6087-01  
Bill No.: SB 948  
Subject: Disabilities; Elderly; Health Care; Medicaid/MO HealthNet; Public Assistance;  
 Social Services Department  
Type: #Updated  
Date: April 16, 2018  
 #Updated for revised Department of Social Services response.

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Bill Summary: This proposal requires certain MO HealthNet participants to comply with work and community engagement requirements.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
#General Revenue*	(Could exceed \$242,930)	(\$9,575,897) to \$21,082,558	(\$9,608,523) to \$21,997,758
<b>#Total Estimated Net Effect on General Revenue</b>	<b>(Could exceed \$242,930)</b>	<b>(\$9,575,897) to \$21,082,558</b>	<b>(\$9,608,523) to \$21,997,758</b>

\*Impact is dependant upon compliance with work requirement.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</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 2019	FY 2020	FY 2021
Federal *	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

#\* Income, savings, expenses and losses between \$9.5 and \$50 million annually and net to \$0

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
#General Revenue	0	4.27 to 10.0	4.27 to 10.0
#Federal Funds	0	1.73 to 4.0	1.73 to 4.0
<b>#Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>6 to 14</b>	<b>6 to 14</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 2019	FY 2020	FY 2021
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS)** state Chapter 208, RSMo, is amended by adding one new section, to be known as Section 208.063 which implements a monthly 80 hour work requirement into MO HealthNet (MHN) programs. Participants ages 19 to 64 not meeting an exemption under 208.185.2, or a good cause exemption under 208.185.3, are ineligible for MHN unless they are working, participating in a work program, volunteering, or any combination of work activities for at least 80 hours per month.

**Family Support Division (FSD)** officials state the FSD determined the estimate of the population affected by making the following assumptions:

- Persons who earn a monthly amount equivalent to 80 hours per month at \$7.85/hour minimum wage, or \$628 ( $\$7.85 \times 80 = \$628$ ) per month will be considered to have met the work hours requirement.
- "Work and community engagement requirements" will include unsubsidized or subsidized employment in the private or public sector, job search/job readiness, community service, provision of child care services to participants in a community service program, as well as unpaid educational activities such as vocational education and training, satisfactory attendance in high school/GED, or those students enrolled at least half-time in any recognized technical school or institution of higher education.
- Following the same requirements as the Core Unpaid Employment Activities for Temporary Assistance (TA), MO HealthNet (MHN) work requirement activities will include Alternative Work Experience Program (AWEP) / Community Work Experience Program (CWEP), self-employment, on-the-job training, in-kind work or volunteering for unpaid work designed to improve employability when the participant is not otherwise able to obtain sufficient or suitable employment.
- Persons who are medically certified as physically or mentally unfit for employment include all of the MO HealthNet for Aged, Blind and Disabled population who have been found to meet disability criteria, limiting their ability to work for at least one year as well as the Breast and Cervical Cancer Treatment participants.
- A parent or caretaker of a child under age one is an adult in the Modified Adjusted Gross Income (MAGI) household, composed using MAGI methodologies per 42 CFR 435.603(f), will be exempt.

ASSUMPTION (continued)

- Extended Women's Health Services participants are exempt from the requirements as they would have a child in the household under the age of 1.
- A primary caregiver of a dependent child or adult includes all single adult households using MAGI methodologies per 42 CFR 435.603(f).
- Following the same requirements as the Supplemental Nutrition Assistance Program (SNAP), persons receiving/complying with unemployment compensation requirements will be exempt.
- Individuals must meet the same eligibility criteria for prior quarter eligibility as they do for the month of application for ongoing benefits and would have to meet the 80 hour work requirement in the three months prior to application.
- Individuals receiving Transitional MO HealthNet for Families would be exempt from the work requirement and the eligibility requirements for this program would be unchanged.
- Work requirements will not be mandated for persons in the Uninsured Women's Health Services program, as the program is administered through Department of Health and Senior Services.
- Supplemental Nutritional Assistance Program (SNAP) and Temporary Assistance (TA) participants who are exempt from work requirements are also exempt from MO HealthNet work requirements and include all exemptions, including those that do not align with the provisions of this bill i.e. work requirements for TA and SNAP are only imposed through age 59.
- Support services necessary for compliance with the work requirement will align with current support services provided to TA recipients.

#Based on the assumptions above, FSD determined there are an estimated 35,706 individuals who would be mandated to comply with work requirements if the provisions of this bill are implemented. FSD determined these individuals by identifying the current populations of MO HealthNet for Families that are age 19 to 64 and not working. Due to system limitations and other variables, the FSD does not have sound data to compile precise numbers, including any individuals that would qualify for the department allowable exemptions or good cause outlined in Section 208.185.3, for projecting the affected populations.

ASSUMPTION (continued)

#The FSD estimates 0 - 24,536 individuals could lose MO HealthNet eligibility for noncompliance. FSD determined the number of individuals who could lose eligibility in the following manner:

#FSD determined that in November 2017, there were 35,706 individuals currently receiving MO HealthNet who would not meet an exemption that would be mandated to comply with work requirements. Of the 35,706 that would be mandated to comply with work requirements, 2,991 are already meeting the work requirement. Of the 35,706 individuals that would be mandated to comply with work requirements, 32,715 (35,706 - 2,991) are not currently meeting the work requirement.

At this time, it is unknown how many individuals who are not currently meeting the work requirement will comply. The compliance rate will be dependent on what requirements will be allowed through a waiver from Centers for Medicare and Medicaid Services (CMS).

#Because it is unknown how many will comply and what the cost will be to administer a work program, FSD estimates that 25%-75% of the 35,715 individuals would comply and the cost to administer a work program will be approximately \$1,000 per participant per year through a vendor contract. The FSD assumes that Program Development Specialist (PDS) staff will administer the work program for the FSD and monitor vendor contracts, with an average caseload of 2,000 individuals per PDS.

**25% Compliance:**

#If 25% or 8,179 ( $32,715 * 0.25 = 8,178.75$ , rounded up) individuals who are not currently meeting the work requirement comply, FSD estimates that 24,536 ( $32,715 * 0.75 = 24,536.25$ , rounded down) individuals will lose eligibility for MO HealthNet if the provisions of this bill are enacted.

#FSD estimates the total expenditures will be \$8,179,000 ( $8,179 * \$1,000$ ) to administer the work program. FSD estimates an additional 5 FTE will be needed, including 4 PDS ( $8,179/2,000 = 4.08$ , rounded down) and 1 Social Services Manager Band 1 (10 PDS per manager ( $4/10 = 0.4$ , rounded up)).

**50% Compliance:**

#If 50% or 16,358 ( $32,715 * 0.50 = 16,357.5$ , rounded up) individuals who are not currently meeting the work requirement comply, FSD estimates that 16,357 ( $32,715 * 0.50 = 16,357.5$ , rounded down) will lose eligibility for MO HealthNet if the provisions of this bill are enacted.

ASSUMPTION (continued)

#FSD estimates the total expenditures will be \$16,358,000 ( $16,358 * \$1,000$ ) to administer the work program. FSD estimates an additional 9 FTE will be needed, including 8 PDS ( $16,357/2,000 = 8.17$ , rounded down) and 1 Social Services Manager Band 1 (10 PDS per manager ( $8/10 = .8$ , rounded up)).

**75% Compliance:**

#If 75% or 24,536 ( $32,715 * 0.75 = 24,536.25$  rounded down) individuals who are not currently meeting the work requirement comply, FSD estimates that 8,179 ( $32,715 * 0.25 = 8,178.75$ , rounded up) individuals will lose eligibility for MO HealthNet if the provisions of this bill are enacted.

#FSD estimates the total expenditures will be \$24,536,000 ( $24,536 * \$1,000$ ) to administer the work program. FSD estimates an additional 13 FTE will be needed, including 12 PDS ( $24,536/2,000 = 12.26$ , rounded down) and 1 Social Service Manager Band 1 (10 PDS per manager ( $12/10 = 1.2$ , rounded down)).

Additional system programming will be needed to integrate work program compliance information, program sanctions, and alert staff when participants become age eligible and/or ineligible for work requirements so that a review for other possible exemptions can be made. The FSD defers to the Office of Administration (OA), Information Technology Services Division (ITSD) for any costs associated with system changes.

On January 11, 2018, CMS released new policy guidance for states to test community engagement for able-bodied adults through 1115 Demonstration Waivers. This guidance supports the alignment of Medicaid work requirements with those of TA and Food Stamps. CMS suggests that states follow TA and Food Stamp work requirement programs when considering exempted populations, protections for the disabled, allowable activities, enrollee reporting requirements, and the availability of transportation and child care for participants. With such an alignment, CMS states that participants and exempt persons in TA and Food Stamp work programs should automatically be considered as complying with Medicaid work requirements.

The DSS would request a waiver from CMS to implement the provisions of this legislation. FSD estimates that it would take approximately a year to obtain CMS approval of the waiver. Due to the time it takes to obtain the waiver, implementation of the work requirements would not begin until July 1, 2019.

ASSUMPTION (continued)

#The total fiscal impact is estimated to be between \$8,179,000 (with 5 FTE) to \$24,536,000 (with 13 FTE needed to administer a work program). FSD determined that, based on Medicaid enrollment as of November 30, 2017, 57.8% of the adults who received Medicaid also received Food Stamp benefits and therefore, the cost of the work program for those individuals would be covered at a 50% federal match.

A contract monitor would also be needed to monitor the contracted work program (Management Analysis Specialist (MAS) II, at the same funding split as the FSD staff).

The FSD assumes the projected FSD administrative costs will be offset by the savings to overall Medicaid coverage costs. The FSD defers to the MO HealthNet Division (MHD) for Medicaid savings projections.

**Oversight** notes, based on responses from the **Office of Administration (OA), Division of Facilities Management, Design and Construction (FMDC)** for proposals from the current session that result in an agency needing additional rental space, costs include building lease costs, fuel and utilities, and janitorial services. Therefore, Oversight will reduce DSS' estimated lease expenses for added utilities and janitorial services costs.

#**MO HealthNet Division (MHD)** officials state for the Medicaid savings, the number of people that would be affected by this legislation would need to be calculated using a range of individuals. Approximately 35,706 individuals would be required to comply with work requirements. This number was found to be significantly lower than estimates provided for a similar proposal from the current session (FN 5333.02 (HB 1856)) due to the language in section 4 of subsection 2 of section 208.185 which states a primary caregiver of a dependent child or adult would be exempt from this legislation.

#Of the 35,706 individuals, FSD estimated that 2,991 individuals are already meeting the requirements, leaving up to 32,715 (35,706 - 2,991) that could now be ineligible/lose coverage for MO HealthNet. Since MO HealthNet would be losing participants, or no longer signing up certain new applicants, MHD assumes a positive fiscal impact with fewer people to cover. The FSD determine that all of these individuals would fall under the MO HealthNet for Families (MHF) category. For MHF, MHD took an average of the payments made for these individuals through the Managed Care program to find a per member per month average.

#MHD will assume that any savings will be a range for participants who are not currently meeting the work requirements. Because it is unknown how many will comply, MHD will use a range of 25%-75% of the 32,715 individuals to gather an approximate number of individuals that would comply with this legislation. A 3.8% inflation rate was used for FY21. An annual savings is estimated to be as follows:

ASSUMPTION (continued)

FY19 - No savings assumed in FY19 due to the time it takes to be granted the waiver and implementation of the work requirements (savings will begin July 1, 2019);  
#FY20 Total: \$26,244,464 to \$78,733,391 savings (GR \$9,132,286 to \$27,396,858;  
FF \$17,112,178 to \$51,336,533);  
#FY21 Total: \$27,241,753 to \$81,725,260 savings (GR: \$9,479,313 to \$28,437,939;  
FF \$17,762,440 to \$53,287,321)

The Grand total has the highest cost savings with 25% compliance and 75% non-compliance (more participants will lose benefits as a result of non-compliance) ; the lowest cost savings occurs with 25% non-compliance and 75% compliance (more participants keep benefits).

**FY 19: \$0 (Waiver and implementation);**

**#FY 20: Cost of \$66,921 to savings of \$69,847,570 (GR range of cost of \$9,575,109 to savings of \$21,079,039; FF range of savings of \$9,508,188 to \$48,768,531;**

**#FY 21: Savings of \$383,449 to savings of \$72,662,265 (GR range of cost of \$9,616,941 to savings of \$21,994,149 and FF range of savings of \$10,000,390 to \$50,668,115.**

**Division of Legal Services (DLS)** officials state the DLS will advise the MO HealthNet Division (MHD) in rule making; this duty can be done with existing resources.

**DSS** officials provided the response for the OA, ITSD/DSS. **OA, ITSD/DSS** officials state the Family Assistance Management Information System (FAMIS) will need to create new screens to capture the necessary data elements to determine eligibility. A new eligibility determination factor will need to be created. The new determination factor will result in new forms or changes to existing forms as well as new reports. In addition, several new batch jobs will need to be created.

#ITSD assumes that every new IT project/system will be bid out because all ITSD resources are at full capacity. The current contract rate for IT consultants is \$75 per hour. It is estimated changes to FAMIS will require 1,080 IT consultant contract hours (\$81,000). These one-time costs will be split 53% General Revenue/47% Federal Funds.

In addition, the proposed legislation would create an additional eligibility factor in the form of work requirements for adults that may receive Medicaid coverage under the Medical Assistance for Families (MAF) program. Design, development and implementation activities are currently in progress via contracts with IT services vendors. It is not possible to determine approximate cost at this time but based on contracted amounts for other Missouri Eligibility Determination and Enrollment System (MEDES) activities yielding a similar amount of functionality, the cost will be an unknown amount in excess of \$2,000,000; it is assumed this cost will be split 10% General Revenue/90% Federal Funds.



ASSUMPTION (continued)

Officials from the **Department of Mental Health (DMH)** state the exemptions to the work and community engagement requirements appear to carve out the DMH population. Therefore, the DMH assumes the proposal will have no fiscal impact.

Officials from the **Department of Economic Development, Division of Workforce Development**, the **Department of Elementary and Secondary Education**, the **Joint Committee on Administrative Rules** and the **Office of Administration, Division of Budget & Planning** each assume the proposal would not fiscally impact their respective agencies.

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.

**Oversight** notes, for fiscal note purposes regarding the DSS fiscal impact of this proposal, the greater the number of MO HealthNet recipients who are not compliant with the provisions of this proposal, the greater the reduction in MO HealthNet costs (savings) and the lower the costs incurred by FSD because fewer FTE will be needed. If a lower percentage of MO HealthNet participants are not compliant, FSD will be required to hire a greater number of FTE to perform the duties of monitoring for compliance and fewer participants will lose MO HealthNet benefits, thereby reducing MO HealthNet savings. 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	FY 2020	FY 2021
	(10 Mo.)		
<b>GENERAL REVENUE FUND</b>			
<u>#Savings - DSS, MHD</u>			
Reduction in program costs	\$0	\$9,123,286 to \$27,396,858	\$9,479,313 to \$28,437,939
<u>#Costs - DSS, FSD</u>			
Personal service	\$0	(\$184,100 to \$420,698)	(\$185,941 to \$424,905)
Fringe benefits	\$0	(\$100,699 to \$232,331)	(\$101,246 to \$233,580)
Equipment and expense	\$0	(\$68,850 to \$164,931)	(\$43,327 to \$101,097)
Contract costs	<u>\$0</u>	<u>(\$5,960,651 to \$17,881,223)</u>	<u>(\$6,109,667 to \$18,328,254)</u>
<u>#Total Costs - DSS, FSD</u>	<u>\$0</u>	<u>(\$6,314,300 to \$18,699,183)</u>	<u>(\$6,440,181 to \$19,087,836)</u>
<u>#FTE Change - DSS, FSD</u>	0 FTE	4.27 to 10.0 FTE	4.27 to 10.0 FTE
<u>Costs - OA, ITSD</u>			
System updates to FAMIS	(\$42,930)	\$0	\$0
System updates to MEDES	<u>(Could exceed \$200,000)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs - OA, ITSD</u>	<u>(Could exceed \$242,930)</u>	<u>\$0</u>	<u>\$0</u>
<b>#ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(Could exceed \$242,930)</u></b>	<b><u>(\$9,575,897) to \$21,082,558</u></b>	<b><u>(\$9,608,523) to \$21,997,758</u></b>
<u>#Estimated Net FTE Change on the General Revenue Fund</u>	0 FTE	4.27 to 10.0 FTE	4.27 to 10.0 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>#FEDERAL FUNDS</b>			
<u>Income - OA, ITSD</u>			
Reimbursements for FAMIS system updates	\$38,070	\$0	\$0
Reimbursements for MEDES system updates	<u>Could exceed</u> \$1,800,000	<u>\$0</u>	<u>\$0</u>
Total <u>Income</u> - OA, ITSD	<u>Could exceed</u> <u>\$1,838,070</u>	<u>\$0</u>	<u>\$0</u>
<u>#Income - DSS, FSD</u>			
Increase in program reimbursements	\$0	\$2,566,570 to \$7,600,650	\$2,618,437 to \$7,758,630
<u>#Savings - DSS, MHD</u>			
Reduction in program expenditures	\$0	\$17,112,178 to \$51,336,533	\$17,762,440 to \$53,287,321
<u>Costs - OA, ITSD</u>			
FAMIS system updates	(\$38,070)	\$0	\$0
MEDES system updates	<u>(Could exceed</u> <u>\$1,800,000)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - OA, ITSD	<u>(Could exceed</u> <u>\$1,838,070)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>FEDERAL FUNDS (continued)</b>			
<u>#Costs - DSS, FSD</u>			
Personal service	\$0	(\$74,831 to \$171,000)	(\$75,580 to \$172,711)
Fringe benefits	\$0	(\$40,931 to \$94,435)	(\$41,154 to \$94,943)
Equipment and expense	\$0	(\$27,984 to \$67,038)	(\$18,308 to \$41,095)
Contract costs	<u>\$0</u>	<u>(\$2,422,824 to \$7,268,177)</u>	<u>(\$2,483,395 to \$7,449,881)</u>
<u>#Total Costs - DSS, FSD</u>	<u>\$0</u>	<u>(\$2,566,570 to \$7,600,650)</u>	<u>(\$2,618,437 to \$7,758,630)</u>
#FTE Change - DSS, FSD	0 FTE	1.73 to 4.0 FTE	1.73 to 4.0 FTE
<u>#Loss - DSS, MHD</u>			
Reduction in program reimbursements	<u>\$0</u>	<u>(\$17,112,178 to \$51,336,533)</u>	<u>(\$17,762,440 to \$53,287,321)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
#Estimated Net FTE Change on Federal Funds	0 FTE	1.73 to 4.0 FTE	1.73 to 4.0 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

## FISCAL DESCRIPTION

This act requires the Department of Social Services to apply for a waiver and any necessary state plan amendments to implement work and community engagement requirements for certain MO HealthNet participants by January 1, 2019. Participants ages 19 to 64 shall complete at least 80 hours a month of any combination of specified work, education, job search, child care, and volunteer services. The Department of Social Services shall provide reasonable accommodations for individuals with disabilities as defined by the Americans with Disabilities Act, Section 504 of the Rehabilitation Act of 1973, and Section 1557 of the Patient Protection and Affordable Care Act, who are not otherwise exempt from the work and community engagement requirements under this act, to ensure that the participants are able to comply with the requirements, including exemptions, modifications of hours, and the provision of necessary support services.

MO HealthNet participants who shall not be required to comply with the provisions of this act include: (1) those under 19 and over 64; (2) those who are medically frail as defined in the act, including those with certain disabilities; (3) those who are pregnant or caring for a child under one year of age; (4) those who are primary caregivers of a dependent child or adult; and (5) those who are also participants of Temporary Assistance for Needy Families or Supplemental Nutrition Assistance Program and are exempt from work requirements under those programs. The Department may permit further exemptions in areas of high unemployment, limited economies or educational opportunities, or lack of public transportation, or for good cause as defined in this act.

This legislation is not federally mandated and would not duplicate any other program, but may require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services -  
    Family Support Division  
    MO HealthNet Division  
Department of Economic Development  
Department of Elementary and Secondary Education  
Department of Mental Health  
Joint Committee on Administrative Rules  
Office of Administration -  
    Division of Budget & Planning  
Office of Secretary of State

Ross Strope



Acting Director  
April 16, 2018