

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0374-01  
Bill No.: SB 76  
Subject: Disabilities; Elderly; Health Care; Medicaid/MO HealthNet; Public Assistance;  
 Social Services Department  
Type: Original  
Date: February 12, 2019

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 2020	FY 2021	FY 2022
General Revenue	(\$242,400 to \$242,930)	\$2,250,360 to \$2,331,160	\$2,322,419 to \$2,404,027
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$242,400 to \$242,930)</b>	<b>\$2,250,360 to \$2,331,160</b>	<b>\$2,322,419 to \$2,404,027</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<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 13 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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, costs and losses could exceed \$9.3 million annually and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	0 to 0.53	2.5 to 3.5	2.5 to 3.5
Federal	0 to 0.47	0	0
<b>Total Estimated Net Effect on FTE</b>	<b>0 to 1</b>	<b>2.5 to 3.5</b>	<b>2.5 to 3.5</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 2020	FY 2021	FY 2022
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

**§208.185 - Work requirements for MO HealthNet benefits**

Officials from the **Department of Social Services (DSS), Division of Legal Services (DLS), Family Support Division (FSD)** and **MO HealthNet Division (MHD)** state the FSD, Income Maintenance Division provides that Chapter 208, RSMo, is amended by adding one new section, to be known as Section 208.185 which implements a monthly 80 hour work requirement into MO HealthNet 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 MO HealthNet for Families (MHF) unless they are working, participating in a work program, volunteering, or any combination of work activities for at least 80 hours per month. The DLS will advise in rule making, and this can be done with existing resources.

Adults ages 19-64 on Medicaid for Families	81,644
Less individuals on SNAP or TANF not subject to work requirement under this legislation	(50,099)
Less caregivers for children under 6, disabled adult, or disabled child	(17,907)
Less individuals already determined disabled	(1,466)
Less individuals with earned income already meeting the work requirement	(3,398)
Number potentially subject to work requirement under this legislation	8,774
FSD assumes an additional 25% will reapply for Medicaid due to a disability	(2,194)
Estimated number of individuals that will be subject to the work requirement	6,580
FSD estimates 35% will comply with work requirements*	2,303
FSD estimates 65% will not comply and lose Medicaid	4,277

\*FSD made this determination based on the average work participation rate of the mandatory work requirements for Temporary Assistance (TA).

ASSUMPTION (continued)

As of November 30, 2018, there were 81,644 adult individuals ages 19-64 who were receiving MO HealthNet for Families (MHF) coverage. Of those 81,644 individuals, 50,099 were also receiving Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance for Needy Families (TANF) benefits. In order to receive SNAP or TANF benefits, these individuals must either meet current SNAP or TANF work requirements or be exempted from participating in SNAP or TANF work requirements. Individuals who receive SNAP or TANF benefits and are exempt from the work requirements of those programs are also exempt from the work requirements for MHF. Therefore, of the 81,644 MHF individuals, 31,545 (81,644-50,099) would be remaining that are not currently provided work services or exempt from work requirements through another program.

The remaining individuals are required to comply with work requirements under this legislation unless they meet one of the following exemptions: pregnant individuals; all caregivers of a child under age six, a disabled child, or a disabled adult; and individuals with a disability, as defined in this legislation. Of the 31,545 participants, there are 17,907 individuals identified as caregivers and 1,466 identified as disabled.

It was determined that the remaining 12,172 (31,545-17,907-1,466) includes 3,398 individuals with earned income. FSD made the assumption that those individuals are already meeting work requirements and the total number impacted was reduced by this amount. The total number of individuals remaining that would potentially be affected by MHF work requirements would be 8,774 (12,172-3,398).

It is assumed that 25% of the population that will be affected by MHF work requirements will reapply to be served under another MO HealthNet program for a total of 2,194 (8,774\*0.25). The remaining 6,580 (8,774-2,194) will be subject to the MHF work requirements in this legislation. Of those 6,580, FSD assumes that 35% will comply with work requirements for a total of 2,303 (6,580 \*0.35) and 65% will lose benefits for non-compliance for a total of 4,277 (6,580\*0.65). Therefore, a total of 4,277 individuals are expected to lose MHF benefits as a result of this legislation.

FSD estimates the total expenditures could be as much as \$2,303,000 (2,303 \* \$1,000) to administer the work program. FSD estimates an additional 2 FTE Program Development Specialists will be needed (2,303/2000 = 1.15, rounded up).

ASSUMPTION (continued)

Adults on SNAP and Medicaid for Families	49,899
Less individuals under 19 or over 64	(200)
Less caregivers for children under 6 or pregnant	(22,651)
Less individuals already determined disabled	(547)
Less individuals with earned income already meeting the work requirement	(7,136)
Number potentially subject to work requirement	19,365
FSD estimates 35% will comply with work requirements*	(6,778)
FSD estimates 65% will not comply and lose Medicaid	12,587

\*FSD made this determination based on the average work participation rate of the mandatory work requirements for Temporary Assistance (TA).

Under current SNAP work requirements, all participants that receive MHF and SNAP would be exempt from MHF work requirements. However, if the SNAP work requirements for able bodied adults with children that are currently proposed are implemented, it is estimated that 19,365 individuals would no longer receive an exemption and could potentially be affected by MHF work requirements. The number of individuals affected by the MHF work requirements (81,644) is higher than the number of individuals affected by SNAP work requirements (49,899) because the proposed SNAP work requirements affect individuals age 19-59, while the proposed MHF work requirements affect individuals age 19-64. It is assumed that 65% of that population would lose benefits as a result of non-compliance for a total of 12,587 ( $19,365 \times 0.65$ ). This population is not included in the impact of this legislation.

Per discussion with **DSS** officials, **Oversight** determined that the participants that receive MHF and SNAP that would lose benefits under this proposal (12,587) were not included in the impact because they were already included under the MHF work requirements assumptions and calculations.

**FSD** states 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. FSD defers to the Office of Administration (OA), Information Technology Services Division (ITSD) for any costs associated with system changes.

ASSUMPTION (continued)

On January 11, 2018, Centers for Medicare and Medicaid Services (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.

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 could not begin until July 1, 2020.

**DSS, Division of Legal Services (DLS)** officials state they will require 0.5 additional Hearing Officers as the DSS is making a decision to take a participant off assistance, the participant has administrative appeal rights, and can request a hearing. There are 4,277 people who may lose assistance. Assuming 5% of them appeal, hearings are projected to increase by 214 ( $4,277 * 5\% = 214$ ). Each hearing officer can handle 544 hearings, resulting in a need for 0.5 Hearings Officers.

**DSS, MO HealthNet Division (MHD)** officials state approximately 8,774 individuals would be potentially affected by Modified Adjusted Gross Income (MAGI) work requirements and be required to comply with these work requirements.

Of those 8,774 individuals, FSD estimated that 2,194 individuals (25%) are expected to reapply under other MO HealthNet Division (MHD) programs, leaving up to 6,580 ( $8,774 - 2,194$ ) who could be now 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 (savings) with fewer people to cover. FSD found that all of these individuals would fall under the MO HealthNet for Families (MHF) category. For MHF, MHD took an average of the payments that these individuals have through the Managed Care program to find a per member per month (PMPM) 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 percentage of 35% of the 6,581 individuals to gather an approximate number of individuals that would comply with this legislation. Therefore, 65% of the 6,581 (or 4,277) individuals will lose eligibility for MO HealthNet if the provisions of this bill are enacted. A 2.4% inflation rate was used for FY 2022. With that being said, an annual savings is estimated to be as follows:

ASSUMPTION (continued)

FY 2020 - no savings assumed in FY 2020 due to the time it takes to be granted the waiver and implementation of the work requirements. (Savings will begin July 1, 2020).

FY 2021 - \$14,185,221 (GR: \$4,881,419, FF: \$9,303,802);

FY 2022 - \$14,525,666 (GR: \$4,998,572, FF: \$9,527,094).

Until the FY 20 budget is final, the Department cannot identify specific appropriations.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the costs and savings provided by DOC for fiscal note purposes.

**Oversight** notes DSS assumes it will need a total of 2.5 new FTE as a result of the provisions of this proposal. Based on discussions with DSS officials, it is assumed the additional FTE can be housed within current DSS locations. However, if multiple proposals pass during the legislative session requiring additional FTE, cumulatively the effect of all proposals passed may result in the DSS needing additional rental space.

Officials from the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS** 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.

As this functionality does not currently exist in FAMIS, existing infrastructure available now for the Supplemental Nutrition Assistance Program (SNAP)/Temporary Assistance for Needy Families (TANF) programs could possibly be used, but additional work will be required. The methodology used to arrive at the fiscal impact was to review previous work efforts where functionality did not exist where new forms/changes to forms/new batch jobs and new reports were required.

In addition, it is assumed changes for the Missouri Eligibility Determination and Enrollment System (MEDES) will be required.

ITSD assumes that every new IT project/system will be bid out because all ITSD resources are at full capacity. It is assumed system changes will require IT consultants 1,080 hours at \$75/hour, or \$81,000, to make the necessary changes to the FAMIS system and cost \$2 million for changes to the MEDES system for total costs of \$2,081,000 in FY 2020 (GR \$242,930; FF \$1,838,070).

ASSUMPTION (continued)

**Oversight** notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming changes needed to the FAMIS and MEDES systems.

ITSD estimates the FAMIS project would take 1,080 hours at a contract rate of \$75 per hour for a cost to the state of \$81,000 (\$42,930 GR; \$38,070 Federal funds). Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill on the FAMIS system. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work on FAMIS (\$81,000) to hiring an additional FTE IT Specialist (roughly \$80,000 per year) at the same percentages (53% GR and 47% Federal) for FY 2020 as assumed by DSS. For fiscal note purposes, **Oversight** assumes the FTE would not qualify for the same match rate in FY 2021 and FY 2022 and that 100 % of the costs for FY 2021 and FY 2022 would be GR if FTE were hired.

**Oversight** notes ITSD officials provided information relating to the MEDES system. The state has a maintenance and operations contract with Redmane to update the MEDES system. MEDES is build on an IBM proprietary software platform called Curum. Oversight has requested ITSD provide the contract rate for Redmane. For fiscal note purposes, Oversight will present the \$2 million cost for the MEDES system update.

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 \$5,000. 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 require additional resources.



ASSUMPTION (continued)

Officials from the **OA, Division of Budget & Planning (B&P)** state this proposal has no direct impact on B&P, no direct impact on general or total state revenues, and will not impact the calculation pursuant to Article X, Section 18(e).

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.

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

**Oversight** notes that the **Department of Economic Development, Division of Workforce Development**, the **Department of Elementary and Secondary Education** and the **Department of Mental Health** have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE FUND</b>			
<u>Savings - DSS (\$208.185)</u>			
Reduction in state share of MO HealthNet expenditures p.7	\$0	\$4,881,419	\$4,998,572
<u>Costs - DSS (\$208.185)</u>			
Personal service p.4, 6	\$0	(\$105,757)	(\$106,815)
Fringe benefits	\$0	(\$52,621)	(\$52,895)
Equipment and expense	\$0	(\$31,306)	(\$15,246)
Contract costs p. 4	<u>\$0</u>	<u>(\$2,360,575)</u>	<u>(\$2,419,589)</u>
Total <u>Costs - DSS</u>	<u>\$0</u>	<u>(\$2,550,259)</u>	<u>(\$2,594,545)</u>
FTE Change - DSS	0 FTE	2.5 FTE	2.5 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE FUND</b>			
(continued)			
<u>Costs - OA, ITSD (§208.185)</u>			
FAMIS system changes (ranged from contracting out the programming to hiring additional 1 FTE IT Specialist)* p. 7,8	(\$42,400 to \$42,930)	\$0 to (\$80,800)	\$0 to (\$81,608)
MEDES system changes p. 7,8	(\$200,000)	\$0	\$0
Total <u>Costs</u> - OA, ITSD	<u>(\$242,400 to \$242,930)</u>	<u>\$0 to (\$80,800)</u>	<u>\$0 to (\$81,608)</u>
 FTE Change - OA, ITSD			
	0 FTE to 0.53 FTE	2.5 to 3.5 FTE	2.5 to 3.5 FTE
* OA, ITSD assumes all IT work to be contracted out and completed in FY 2020. Oversight assumes hiring of additional FTE and that FTE will carry over to FY 2021 and 2022. In addition, in FY 2021 and FY 2022, Oversight assumes costs to be 100% GR.			
 <b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	 <u><b>(\$242,400 to \$242,930)</b></u>	 <u><b>\$2,250,360 to \$2,331,160</b></u>	 <u><b>\$2,322,419 to \$2,404,027</b></u>
 Estimated Net FTE Change on the General Revenue Fund	 0 FTE to 0.53 FTE	 2.5 to 3.5 FTE	 2.5 to 3.5 FTE
 <b>FEDERAL FUNDS</b>			
<u>Income - OA, ITSD (§208.185)</u>			
Reimbursement for FAMIS and MEDES system updates	\$1,837,600 to \$1,838,070	\$0	\$0
 <u>Savings - DSS (§208.185)</u>			
Reduction in program expenditures for MO HealthNet recipients	\$0	\$9,303,802	\$9,527,094
Total <u>All Income and Savings</u>	<u>\$1,837,600 to \$1,838,070</u>	<u>\$9,303,802</u>	<u>\$9,527,094</u>

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>FEDERAL FUNDS (continued)</b>			
<u>Costs - OA, ITSD (\$208.185)</u>			
FAMIS system changes (ranged from contracting out the programming to hiring additional 1 FTE IT Specialist)*	(\$37,600 to \$38,070)	\$0	\$0
MEDES system changes	(\$1,800,000)	<u>\$0</u>	<u>\$0</u>
Total <u>Costs - OA, ITSD</u>	<u>(\$1,837,600 to \$1,838,070)</u>	<u>\$0</u>	<u>\$0</u>
FTE Change - OA, ITSD	0 to 0.47 FTE	0 FTE	0 FTE
<u>Loss - DSS (\$208.185)</u>			
Reduction in program expenditure reimbursement for MO HealthNet recipients	\$0	(\$9,303,802)	(\$9,527,094)
Total <u>Costs and Losses</u>	<u>(\$1,837,600 to \$1,838,070)</u>	<u>(\$9,303,802)</u>	<u>(\$9,527,094)</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 to 0.47 FTE	0 FTE	0 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<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, 2020. 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 under the age of six or a dependent 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, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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

Kyle Rieman  
Director  
February 12, 2019



Ross Strope  
Assistant Director  
February 12, 2019