

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0376-01  
Bill No.: SB 77  
Subject: Administrative Rules; Boards, Commissions, Committees, and Councils; General Assembly; Health Care; Medicaid; Public Assistance; Social Services Department  
Type: Original  
Date: March 12, 2019

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$250,000 or \$5,791,285)	\$0 or (\$6,640,849)	\$0 or (\$6,641,772)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$250,000 or \$5,791,285)</b>	<b>\$0 or (\$6,640,849)</b>	<b>\$0 or (\$6,641,772)</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 9 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 and expenses exceed \$0 or \$28 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 or 4	0 or 4	0 or 4
Federal Funds	0 or 3	0 or 3	0 or 3
<b>Total Estimated Net Effect on FTE</b>	<b>0 or 7</b>	<b>0 or 7</b>	<b>0 or 7</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

#### §§208.1205, 208.1210, 208.1215, and 208.1220 - MO HealthNet global waiver

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD) and Division of Legal Services (DLS)** state 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. Based on existing consultant fees, MHD assumes a range between \$10 million and \$36 million in total funds annually, depending on the complexity of projects involved in the global waiver implementation. It is anticipated that consultants will be needed in the areas of Program, Legal and Technical expertise. A one-time \$500,000 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 the global waiver; respond timely 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 (Social Service Managers) in the areas of program policy, IT technical management (IT Resource Manager), and a Project Management 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.

Until the FY20 budget is finalized, DSS cannot identify specific funding sources.

**DLS** defers to MHD for any fiscal impact to that Division.

**Oversight** requested additional information from the DSS. In our request, we asked DSS to break down/explain in greater detail the proposed costs associated with the global waiver. DSS indicated that costs included in MHD's New Decision Item titled MO HealthNet Transformation closely reflects the costs for the global waiver, but includes an additional 3 FTE to establish a transformation office. In the FY 2020 budget, DSS requests a total of \$34.9M for transformation efforts (\$480,000 in Personal Service, split 50/50 GR and Federal funds; approximately \$34,000 E&E, split 50/50 GR and Federal funds; and approximately \$34.4 million for contracted services split approximately 18% GR/82% Federal funds or \$6.2M GR/\$28.1M Federal funds). DSS has

ASSUMPTION (continued)

stated funding is requested to support MHD's Medicaid transformation efforts to support 1) improving the data, analytics, and actuarial capabilities of Missouri HealthNet necessary to modernize and improve the program; 2) improving the integrity of the program by enhancing measures to combat fraud, waste, and abuse; and 3) changes of payment reimbursement methodology including value-based care and payments.

Conversations with DSS officials indicate that the Medicaid transformation is expected to be a 3-5 year project. Much of the work will be done by contractors because they have more specialized skills, staff and a greater ability to analyze data.

**Oversight** will present costs from \$0 (if the waiver is not granted) to the costs supplied in the DSS budget request. Oversight will present costs for the actuarial study since it will probably be conducted prior to a decision on the waiver by the Centers for Medicare and Medicaid Services (CMS). Oversight assumes the 3 FTE requested for the Joint Committee on Public Assistance are included in the decision item; however, Oversight will present costs (ranged from \$0) as presented in DSS budget request plus \$500,000 for the one time actuarial study.

Officials from the **Department of Mental Health (DMH)** state the proposed legislation requires the Department of Social Services (DSS) 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 DSS 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 costs and/or cost savings for the proposed legislation will be included in DSS costs and/or cost savings to the MO HealthNet program.

It is assumed that 1 DMH FTE will be needed to assist MO HealthNet with the waiver application.

ASSUMPTION (continued)

DMH anticipates costs to the General Revenue Fund of \$95,376 for FY 20; \$105,809 for FY 21; and \$106,780 for FY 22.

**Oversight** determined that the actual FY 18 average salary for a DMH Fiscal and Administrative (F&A) Manager, Band 2 was \$63,682.65. For fiscal note purposes, Oversight assumes the DMH would be able to hire an F&A Manager for \$65,000 to assist DSS on the MO HealthNet waiver application. Oversight will range DMH costs from \$0 to the recalculated FTE cost since it unknown whether the waiver will be granted by CMS.

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.

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.

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

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DSS (§§208.1205, 208.1210, 208.1215, and 208.1220)</u>	\$0 or...	\$0 or...	\$0 or...
Personal service and fringe benefits	(\$200,000)	(\$240,000)	(\$240,000)
Equipment and expense	(\$14,255)	(\$17,106)	(\$17,106)
Contracted services	(\$2,962,828)	(\$3,555,394)	(\$3,555,394)
Contracted services	<u>(\$2,272,917)</u>	<u>(\$2,727,500)</u>	<u>(\$2,727,500)</u>
Total <u>Costs - DSS</u>	<u>(\$5,450,000)</u>	<u>(\$6,540,000)</u>	<u>(\$6,540,000)</u>
FTE Change - DSS	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE
 <u>Costs - DSS (§§208.1205, 208.1210, 208.1215, and 208.1220)</u>			
Actuarial study	(\$250,000)	\$0	\$0
 <u>Costs - DMH (§§208.1205, 208.1210, 208.1215, and 208.1220)</u>	\$0 or...	\$0 or...	\$0 or...
Personal service	(\$54,167)	(\$65,650)	(\$66,307)
Fringe benefits	(\$27,015)	(\$32,616)	(\$32,816)
Equipment and expense	<u>(\$10,103)</u>	<u>(\$2,583)</u>	<u>(\$2,649)</u>
Total <u>Costs - DMH</u>	<u>(\$91,285)</u>	<u>(\$100,849)</u>	<u>(\$101,772)</u>
FTE Change - DMH	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
 <b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	 <b><u>(\$250,000 or \$5,791,285)</u></b>	 <b><u>\$0 or (\$6,640,849)</u></b>	 <b><u>\$0 or (\$6,641,772)</u></b>
 Estimated Net FTE Effect on the General Revenue Fund	 0 or 4 FTE	 0 or 4 FTE	 0 or 4 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>FEDERAL FUNDS</b>			
<u>Income</u> - DSS (§§208.1205, 208.1210, 208.1215, and 208.1220)			
Increase in program reimbursements	\$250,000 or \$23,883,333	\$0 or \$28,360,000	\$0 or \$28,360,000
<u>Costs</u> - DSS (§§208.1205, 208.1210, 208.1215, and 208.1220)			
Personal service and fringe benefits	\$0 or... (\$200,000)	\$0 or... (\$240,000)	\$0 or... (\$240,000)
Equipment and expense	(\$14,255)	(\$17,106)	(\$17,106)
Contracted services	(\$2,962,828)	(\$3,555,394)	(\$3,555,394)
Contracted services	(\$20,456,250)	(\$24,547,500)	(\$24,547,500)
Total <u>Costs</u> - DSS	<u>(\$23,633,333)</u>	<u>(\$28,360,000)</u>	<u>(\$28,360,000)</u>
FTE Change - DSS	0 or 3 FTE	0 or 3 FTE	0 or 3 FTE
<u>Costs</u> - DSS (§§208.1205, 208.1210, 208.1215, and 208.1220)			
Actuarial study	(\$250,000)	\$0	\$0
<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 or 3 FTE	0 or 3 FTE	0 or 3 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

Small businesses that participate in the MO HealthNet program may be impacted by this legislation.

## 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 and personal responsibility, including co-payments, premiums, and health savings accounts; and (3) accountability and transparency measures.

The Joint Committee on Public Assistance shall review the federal waiver application process. Prior to the submission of the waiver application to the federal government, the Department shall submit the application to the Joint Committee. The Joint Committee shall then hold a public hearing on the application and hear testimony from the Department, after which the Joint Committee shall, if necessary, propose modifications to or recommendations for the waiver application.

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. The Joint Committee shall hold public meetings on proposed statutory changes to determine if such changes satisfy the goals of this act and would result in substantial new opportunities for the MO HealthNet program on a cost-neutral basis. The Joint Committee shall be authorized to meet at least twice a year to provide oversight on the global waiver; communicate as necessary with various Departments within the scope of the MO HealthNet program; recommend services for the MO HealthNet program; issue subpoenas, subpoenas duces tecum, and orders for production of documents, as necessary; and recommend to the General Assembly any amendments to the waiver or clarifying legislation that may be necessary.

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



Kyle Rieman  
Director  
March 12, 2019

Ross Strobe  
Assistant Director  
March 12, 2019