

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3716-01  
Bill No.: SB 524  
Subject: Administrative Rules; Boards, Commissions, Committees, and Councils; General Assembly; Health Care; Medicaid; Public Assistance; Social Services Department  
Type: Original  
Date: January 10, 2020

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 2021	FY 2022	FY 2023
General Revenue	(\$250,000) or (\$939,773 to \$2,993,523)	\$0 or (\$1,108,884 to \$3,273,384 )	\$0 or (\$1,111,512 to \$3,276,012)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$250,000) or (\$939,773 to \$2,993,523)</b>	<b>\$0 or (\$1,108,884 to \$3,273,384 )</b>	<b>\$0 or (\$1,111,512 to \$3,276,012)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<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 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
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 could exceed \$2.3 to \$9.2 million annually and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
General Revenue	0 or 2.5 FTE	0 or 2.5 FTE	0 or 2.5 FTE
Federal Funds	0 or 1.5 FTE	0 or 1.5 FTE	0 or 1.5 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0 or 4 FTE</b>	<b>0 or 4 FTE</b>	<b>0 or 4 FTE</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>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<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)** 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, depending on the complexity of projects involved in the global waiver implementation. 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; timely respond 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 Social Services Manager, IT technical management (IT Resource Manager), and a Project Manager 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.

FY21: Total - \$3,586,784 - \$10,801,784 (GR - \$1,099,642 - \$2,903,392; Federal - \$2,487,142 - \$7,898,392)

FY22: Total - \$3,683,172 - \$12,341,172 (GR - \$1,009,086 - \$3,173,586; Federal - \$2,674,086 - \$9,167,586)

FY23: Total - \$3,686,842 - \$12,344,842 (GR - \$1,010,921 - \$3,175,421; Federal - \$2,675,921 - \$9,169,421)

**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 Core 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 2021 budget, DSS requests a total of \$34.0M for transformation

ASSUMPTION (continued)

efforts (\$480,000 in Personal Service, split 50/50 GR and Federal funds; and approximately \$33.5 million for E&E and contracted services split approximately 19% GR/81% Federal funds or \$6.4M GR+\$27.6M Federal funds = \$34M).

**Oversight** will present costs from \$0 (if the waiver is not granted) to the costs provided by DSS. Oversight will present costs for the actuarial study (\$500,000) since it will probably be conducted prior to a decision on the waiver by the Centers for Medicare and Medicaid Services (CMS).

**Oversight** notes DSS assumes it will need a total of 3 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 DSS needing additional rental space.

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).

The Department of Mental Health (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 (Fiscal and Administrative Manager, \$70,106) will be needed to assist MO HealthNet with the waiver application.

DMH anticipates costs to the General Revenue Fund of \$97,175 for FY 21; \$108,462 for FY 22; and \$109,472 for FY 23.

ASSUMPTION (continued)

**Oversight** does not have any information to the contrary. Therefore, Oversight will range DMH costs from \$0 to the costs provided by DMH since it unknown whether the waiver will be granted by CMS.

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

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<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	(\$132,556)	(\$160,485)	(\$161,917)
Equipment and expense	(\$16,292)	(\$7,437)	(\$7,623)
Consultant services	<u>(\$693,750 to \$2,497,500)</u>	<u>(\$832,500 to \$2,997,000)</u>	<u>(\$832,500 to \$2,997,000)</u>
Total <u>Costs - DSS</u>	<u>(\$842,598 to \$2,646,348)</u>	<u>(\$1,000,422 to \$3,164,922)</u>	<u>(\$1,002,040 to \$3,166,540)</u>
FTE Change - DSS	0 or 1.5 FTE	0 or 1.5 FTE	0 or 1.5 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	(\$58,422)	(\$70,807)	(\$71,515)
Fringe benefits	(\$29,002)	(\$35,035)	(\$35,270)
Equipment and expense	(\$9,751)	(\$2,620)	(\$2,687)
Total <u>Costs - DMH</u>	<u>(\$97,175)</u>	<u>(\$108,462)</u>	<u>(\$109,472)</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 (\$939,773 to \$2,993,523)</u></b>	 <b><u>\$0 or (\$1,108,884 to \$3,273,384)</u></b>	 <b><u>\$0 or (\$1,111,512 to \$3,276,012)</u></b>
 Estimated Net FTE Effect on the General Revenue Fund	 0 or 2.5 FTE	 0 or 2.5 FTE	 0 or 2.5 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b><u>FEDERAL FUNDS</u></b>			
<u>Income</u> - DSS (§§208.1205, 208.1210, 208.1215, and 208.1220)	\$250,000 or \$2,230,098 to \$7,641,348	\$0 or \$2,665,422 to \$9,158,922	\$0 or \$2,667,040 to \$9,160,540
Increase in program reimbursements			
<u>Costs</u> - DSS (§§208.1205, 208.1210, 208.1215, and 208.1220)	\$0 or...	\$0 or...	\$0 or...
Personal service and fringe benefits	(\$132,556)	(\$160,485)	(\$161,917)
Equipment and expense	(\$16,292)	(\$7,437)	(\$7,623)
Consultant services	<u>(\$2,081,250 to 7,492,500)</u>	<u>(\$2,497,500 to \$8,991,000)</u>	<u>(\$2,497,500 to \$8,991,000)</u>
Total <u>Costs</u> - DSS	<u>(\$2,230,098 to \$7,641,348)</u>	<u>(\$2,665,422 to \$9,158,922)</u>	<u>(\$2,667,040 to \$9,160,540)</u>
FTE Change - DSS	0 or 1.5 FTE	0 or 1.5 FTE	0 or 1.5 FTE
<u>Costs</u> - DSS (§§208.1205, 208.1210, 208.1215, and 208.1220)			
Actuarial study	<u>(\$250,000)</u>	<u>\$0</u>	<u>\$0</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 or 1.5 FTE	0 or 1.5 FTE	0 or 1.5 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2021 (10 Mo.)	 FY 2022	 FY 2023
	<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

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 (§208.1205).

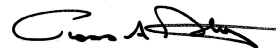
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Health and Senior Services  
Department of Mental Health  
Department of Social Services -  
MO HealthNet Division  
Joint Committee on Administrative Rules  
Office of Secretary of State



Julie Morff  
Director  
January 10, 2020



Ross Strope  
Assistant Director  
January 10, 2020