

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3939-01
Bill No.: SJR 32
Subject: Disabilities; Elderly; Health Care; Medicaid/MO HealthNet; Public Assistance;
 Social Services Department
Type: Original
Date: January 14, 2020

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue*	\$0 or (\$7,910,316)	\$0 or \$1,192,805	\$0 or \$1,337,740
Total Estimated Net Effect on General Revenue	\$0 or (\$7,910,316)	\$0 or \$1,192,805	\$0 or \$1,337,740

* High end of range is based on a special election being held.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income, savings, costs and losses \$0 or could exceed \$5 million annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	0 FTE	0 or 2 FTE	0 or 2 FTE
Total Estimated Net Effect on FTE	0 FTE	0 or 2 FTE	0 or 2 FTE

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 2021	FY 2022	FY 2023
Local Government*	\$0	\$0	\$0

*Potential special election costs (if called by the Governor) offset by state reimbursements net to zero.

FISCAL ANALYSIS

ASSUMPTION

Missouri Constitution Article XV, Section 1 - Referendum

Oversight notes the provisions of this proposal are subject to a vote of the people. In the event the proposal does not pass, the provisions would not be implemented and the fiscal impact would be \$0. Therefore, for fiscal note purposes, all costs will be ranged as “\$0 or...” for the appropriate agency and fund.

Officials from the **Department of Social Services (DSS)** provide the following assumptions regarding this proposal:

Family Support Division (FSD), Income Maintenance (IM):

The proposed addition to the Missouri Constitution, to be known as article XV, Section 1, implements a monthly 80-hour work requirement into MO HealthNet programs. Participant 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.

Adults ages 19-64 on Medicaid for Families	66,104
Less individuals on SNAP or TANF not subject to work requirement under this legislation	(42,310)
Less caregivers for children under 6, disabled adult, or disabled child	(15,446)
Less individuals already determined disabled	(596)
Less individuals with earned income already meeting the work requirement	(3,071)
Number potentially subject to work requirement under this legislation	4,681
FSD assumes an additional 25% will reapply for Medicaid due to a disability	(1,170)
Estimated number of individuals that will be subject to the work requirement	3,511
FSD estimates 35% will comply with work requirements*	1,229
FSD estimates 65% will not comply and lose Medicaid	2,282

*FSD made this determination based on the average work participation rate of the mandatory work requirements for Temporary Assistance (TA) and Supplemental Nutrition Assistance Program (SNAP).

ASSUMPTION (continued)

As of November 30, 2019, there were 66,104 adult individuals ages 19-64 who were receiving MO HealthNet for Families coverage. Of those 66,104 individuals, 42,310 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 66,104 MHF individuals, 23,794 (66,104 - 42,310) 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 those 23,794, there are 15,446 individuals identified as caregivers and 596 identified as disabled.

It was determined that the remaining 7,752 (23,794 - 15,446 - 596) includes 3,071 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. Therefore, the total number of individuals remaining that would potentially be affected by MHF work requirements would be 4,681 (7,752 - 3,071).

FSD assumes that 25% of the population affected by MHF work requirements will reapply to be served under another MO HealthNet program for a total of 1,170 (4,681 * 25%). The remaining 3,511 (4,681 - 1,170) will be subject to the MHF work requirements proposed in this legislation. Of those 3,511, FSD assumes that 35% will comply with work requirements for a total of 1,229 (3,511 * 35%) and 65% will lose benefits for non-compliance for a total of 2,282 (3,511 * 65%). Therefore, a total of 2,282 individuals are expected to lose MHF benefits as a result of this legislation.

FSD estimates the total expenditures could be as much as \$1,229,000 (1,229 * \$1,000) to administer the work program. FSD estimates an additional 1 FTE will be needed, including 1 Program Development Specialist (PDS) (1,229/1,745 cases per FTE = 1 rounded up).

Oversight notes the salary presented by DSS for a PDS position is \$53,370 annually. Using information provided in the Missouri Accountability Portal, Oversight found the average actual salary paid to PDS staff in 2019 was \$43,154.38 annually. Oversight assumes that DSS will be able to hire one PDS for \$45,000 annually. Oversight will reflect the recalculated salary and fringe benefits amount in the fiscal impact for purposes of this fiscal note.

ASSUMPTION (continued)

Adults on SNAP and Medicaid for Families	42,118
Less individuals under 19 or over 64	(229)
Less caregivers for children under 6 or pregnant	(23,010)
Less individuals already determined disabled	(508)
Less individuals with earned income already meeting the work requirement	(4,938)
Number potentially subject to work requirement	13,433
FSD estimates 35% will comply with work requirements*	4,702
FSD estimates 65% will not comply and lose Medicaid	8,731

*FSD made this determination based on the average work participation rate of the mandatory work requirements for Temporary Assistance (TA) and Supplemental Nutrition Assistance Program (SNAP).

FSD states, 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 currently proposed are implemented, it is estimated that 13,433 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 is higher than the number of individuals affected by SNAP work requirements 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 8,731 (13,433 * 65%). This population is not included in the impact of this legislation because they were already included under the MHF work requirements assumptions and calculations.

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

ASSUMPTION (continued)

On January 11, 2018, the 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 Temporary Assistance (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. This guidance outlines that Medicaid work requirements will be implemented with General Revenue money.

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, 2021.

The **Division of Legal Services (DLS)** will require 1 additional Hearings Officer (\$53,370 annually) as DSS is making a decision to take a participant off assistance and the participant has administrative appeal rights and can request a hearing. There are 2,282 people who may lose assistance and have the right to request a hearing.

The **FSD** assumes the projected FSD administrative costs will be offset by the savings to overall Medicaid coverage costs.

Approximately 4,681 individuals would be potentially affected by Modified Adjusted Gross Income (MAGI) work requirements and required to comply with these work requirements.

Of those 4,681 individuals, FSD estimated that 1,170 individuals (25%) are expected to reapply under other MHD programs, leaving up to 3,511 (4,681 - 1,170) 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 with fewer people to cover. The 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 of \$278.61.

ASSUMPTION (continued)

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 3,511 individuals to gather an approximate number of individuals that would comply with this legislation. Therefore, 65% of the 3,511 (or 2,282) individuals will lose eligibility for MO HealthNet if the provisions of this bill are enacted, for a total cost savings of \$7,629,466 (2,282 * \$278.61). A 5.1% inflation rate was used for FY23. With that being said, an annual savings is estimated to be as follows:

FY21 - no savings assumed in FY21 due to the time it takes to be granted the waiver and implementation of the work requirements. (Savings will begin July 1, 2021).

FY22-Total \$7,629,466 (GR: \$2,660,166; Federal: \$4,969,300)

FY23-Total \$8,018,568 (GR: \$2,795,834; Federal: \$5,222,734)

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

Oversight notes DSS assumes it will need a total of 2 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. Oversight assumes DSS will not require leasing or associated costs for these FTE. 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 (TA) 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.

ASSUMPTION (continued)

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

MEDES establishes and manages ongoing Medicaid and Children's Health Insurance Program (CHIIP) eligibility for families based on MAGI criteria set forth by the Patient Protection and Affordable Care Act of 2010. 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 (i.e. Title XIX Medicaid Eligibility).

This response assumes the new functionality will leverage the existing Missouri Work Assistance (MWA) system which is used for the tracking and stakeholder information sharing for TA program. This will minimize the required changes to MEDES by adding to the existing work requirement tracking and management processes currently employed by the SNAP and the TA program.

Minimally, new functionality needed in MEDES, assuming that DSS will use the MWA system, would include: additional screens in Curam for the referral process; new web pages to enter work and community engagement requirement/status codes, exemption status and sanction status; interface between MWA and MEDES for referrals and to display participation status, job search status, employment status, number of hours worked, cooperating/not cooperating with work requirements, etc.; new batch jobs; additional database tables and/or fields; additional/updated notices to participants; new rules and changes to existing rules in the Curam Express Rules (CER) engine; and multiple tracking and management reports.

OA, ITSD/DSS assumes every new IT project/system will be bid out because all ITSD resources are at full capacity. IT contract rates for FAMIS are estimated at \$95/hour. It is assumed FAMIS modifications will require 1,080 hours for a cost of \$102,600 (1,080 * \$95), split 53% GR; 47% Federal.

Modifications for the MEDES system must be performed by Redmane. Hourly IT costs under this contract are estimated at \$168.30/hour and it is estimated to take 5,275.8 hours for a total cost of \$559,379 (10% GR; 90% Federal) in FY 21 and \$328,539 (10% GR; 90% Federal) for FY 22.

Therefore, total FAMIS and MEDES system upgrades will cost \$661,979 (FY 21- \$110,316 GR; \$551,663 Federal) and \$328,539 (FY 22 - \$32,854 GR; \$295,685 Federal).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by ITSD/DSS for fiscal note purposes.

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 populations for those that are determined to be permanently or totally disabled including those within the Division of Behavioral Health and the Division of Developmental Disability. It no longer appears to carve out the DMH population of those in substance abuse treatment programs. DMH assumes participants in the substance abuse treatment programs will meet the work requirement criteria and still qualify for Medicaid. If this is the case, DMH assumes no impact.

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 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 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, 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 our office can sustain with our core budget. Therefore, 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.

Each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$7.8 million based on the cost of the 2016 Presidential Preference Primary.

ASSUMPTION (continued)

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over 5.8 million was spent to publish the full text of the measures for the August and November elections. The SOS estimates \$65,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the the August 2018 ballot.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2021. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2020 and the next scheduled general election is in November 2020 (FY 2021 for both). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2021.

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).

Oversight notes the **Attorney General's Office**, the **Department of Higher Education and Workforce Development** and the **Department of Elementary and Secondary Education** 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 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Savings - DSS</u>			
Reduction in state share of MO HealthNet expenditures p. 7	\$0	\$0 or \$2,660,166	\$0 or \$2,795,834
<u>Transfer Out - Local Election Authorities</u>			
the cost of the special election if called for by the Governor	\$0 or (\$7,800,000)	\$0	\$0
<u>Costs - DSS</u>			
Personal service p. 5-6	\$0	\$0 or... (\$99,354)	\$0 or... (\$100,347)
Fringe benefits	\$0	(\$56,035)	(\$56,365)
Equipment and expense	\$0	(\$19,393)	(\$10,164)
Contract costs p. 4	<u>\$0</u>	<u>(\$1,259,725)</u>	<u>(\$1,291,218)</u>
Total <u>Costs</u> - DSS	<u>\$0</u>	<u>(\$1,434,507)</u>	<u>(\$1,458,094)</u>
FTE Change - DSS	0 FTE	0 or 2 FTE	0 or 2 FTE
<u>Costs - OA, ITSD</u>			
FAMIS system changes p. 7	\$0 or... (\$54,378)	\$0 or... \$0	\$0 or... \$0
MEDES system changes p. 8	<u>(\$55,938)</u>	<u>(\$32,854)</u>	<u>\$0</u>
Total <u>Costs</u> - OA, ITSD	<u>(\$110,316)</u>	<u>(\$32,854)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0 or</u> <u>(\$7,910,316)</u>	<u>\$0 or</u> <u>\$1,192,805</u>	<u>\$0 or</u> <u>\$1,337,740</u>
Estimated net FTE Change on the General Revenue Fund	0 FTE	0 or 2 FTE	0 or 2 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
FEDERAL FUNDS			
<u>Income - OA, ITSD</u>			
Reimbursement for FAMIS and MEDES system updates	\$0 or \$551,663	\$0 or \$295,685	\$0
<u>Savings - DSS</u>			
Reduction in program expenditures for MO HealthNet recipients	\$0 or...	\$0 or...	\$0 or...
	<u>\$0</u>	<u>\$4,969,299</u>	<u>\$5,222,734</u>
Total <u>All Income and Savings</u>	<u>\$0 or \$551,663</u>	<u>\$0 or \$5,264,974</u>	<u>\$0 or \$5,222,734</u>
<u>Costs - OA, ITSD</u>			
FAMIS system changes	\$0 or... (\$48,222)	\$0 or... \$0	\$0 or... \$0
MEDES system changes	(\$503,441)	(\$295,685)	\$0
Total <u>Costs - OA, ITSD</u>	<u>(\$551,663)</u>	<u>(\$295,685)</u>	<u>\$0</u>
<u>Loss - DSS</u>			
Reduction in program expenditure reimbursement for MO HealthNet recipients	\$0 or...	\$0 or...	\$0 or...
	<u>\$0</u>	<u>(\$4,969,299)</u>	<u>(\$5,222,734)</u>
Total <u>Costs and Losses</u>	<u>\$0 or (\$551,663)</u>	<u>\$0 or (\$5,264,984)</u>	<u>\$0 or (\$5,222,734)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - to Local Election Authorities the cost of a special election	\$0 or 7,800,000	\$0	\$0
<u>Cost</u> - Local Election Authorities the cost of the special election if called for by the Governor	<u>\$0 or</u> <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE LOCAL POLITICAL SUBDIVISIONS	<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 constitutional amendment, if approved by the voters, 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 Medicaid participants. 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 amendment, to ensure that the participants are able to comply with the requirements, including exemptions, modifications of hours, and the provision of necessary support services (Constitution of Missouri Article XV, Section 1).

Medicaid participants who shall not be required to comply with the provisions of this amendment include: (1) those under 19 and over 64; (2) those who are medically frail, as defined in the amendment, 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 the Supplemental Nutrition Assistance Program and are exempt from work requirements under those programs. The Department may permit further exemptions in areas of

FISCAL DESCRIPTION (continued)

high unemployment, limited economies or educational opportunities, or lack of public transportation, or for good cause, as defined in this amendment (Constitution of Missouri Article XV, Section 1).

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

Attorney General's Office
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Department of Mental Health
Department of Social Services
Joint Committee on Administrative Rules
Office of Administration - Budget and Planning
Office of Secretary of State



Julie Morff
Director
January 14, 2020



Ross Strobe
Assistant Director
January 14, 2020