

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4041-01
Bill No.: SB 684
Subject: Disabilities; Elderly; Health Care; Health and Senior Services Department;
 Medicaid/MO HealthNet; Mental Health; Mental Health Department; Public
 Assistance; Social Services Department
Type: Original
Date: February 4, 2020

Bill Summary: This proposal establishes the effective date of coverage of MO HealthNet services at the date of the participant's application.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$45,371)	(\$937)	\$25,191,534 to \$31,534,554
Total Estimated Net Effect on General Revenue	(\$45,371)	(\$937)	\$25,191,534 to \$31,534,554

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 9 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

* Program savings and decreased reimbursements exceed \$65 million annually and net to \$0 beginning in FY 23.

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

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

FISCAL ANALYSIS

ASSUMPTION

§208.152 - MO HealthNet coverage to begin no sooner than the application date

Officials from the **Department of Social Services (DSS)** state Section 208.152.15 is added to allow MO HealthNet eligibility to begin no sooner than the date an individual makes application for MO HealthNet benefits. DSS will be required to apply for any necessary waivers to implement the provisions of this section.

42 CFR 435.915(a) requires states to make eligibility for Medicaid effective no later than the third month before the month of application if the individual required Medicaid services at any time during that period and the individual would have been eligible for Medicaid at the time services were received if they would have applied. States can apply for a Section 1115 Demonstration Waiver to eliminate retroactive coverage.

42 CFR 435.915(b) allows states to make Medicaid effective on the first day of the month if an individual was eligible during any time of the month and 42 CFR 435.915© requires states to specify in their Medicaid state plan on which date eligibility will be made effective. Currently, Missouri's Medicaid State Plan provides for Medicaid to be made effective on the first day of the month if the individual was found eligible at any time during the month.

In FY 19, 169,456 individuals applied and were determined eligible for MO HealthNet coverage. Of those, 43,459 requested and were determined eligible for retroactive coverage.

DSS would request a waiver from Centers for Medicare and Medicaid Services (CMS) to eliminate retroactive coverage, as described in this legislation. FSD estimates that it would take approximately a year to obtain CMS approval of the waiver. Based on prior discussions with CMS, DSS anticipates CMS will not approve a waiver eliminating retroactive coverage for pregnant women and children under the age of nineteen. If this population is excluded from the waiver, FSD estimates of the total 43,459 individuals who were deemed eligible for retroactive coverage in FY 2019, there are 9,445 children under the age of nineteen and 4,846 pregnant women who would remain eligible for retroactive coverage. DSS has reached out to CMS to request current guidance on the issue. Due to the time it takes to obtain the waiver, implementation of eliminating retroactive coverage could not begin until July 1, 2022.

DSS would request a State Plan Amendment (SPA) from CMS to make the date of application the effective date of coverage. FSD estimates that it would take approximately 12 months to complete the SPA and implement.

ASSUMPTION (continued)

FSD defers to MHD for cost savings associated with eliminating retroactive coverage and making MO HealthNet effective on the date of application.

FSD defers to OA-ITSD for costs associated with system changes necessary to implement the provisions of this bill.

Except for newborns, the health plans contracted with MO HealthNet Managed Care are not responsible for any payments owed to providers for services rendered prior to a member's enrollment with the health plan, even if the date of service fell within an established period of retroactive MO HealthNet eligibility. The retroactive eligibility period is currently covered under the Fee-For-Service (FFS) program, therefore it is assumed there would be no fiscal impact to capitation rates, Managed Care operations, or to the Managed Care Organizations.

In FY19, the MHD found that there was a total of \$4,017,763 in claims for drugs prior to each individual's application date, and a total of \$84,799,527 in all other claims. Therefore, there was a total of \$88,817,290 in claims that occurred prior to each individual's application dates.

Based on prior discussions and similar legislation introduced in other states, MHD found that the CMS most likely would not approve a waiver that does not allow prior to application coverage for pregnant women and newborns. Therefore, MHD will assume the waiver will exclude these populations. In FY19, the total claims prior to each individual's application date for pregnant women were \$2,345,073, and were \$597,607 for newborns, for a total cost of \$2,942,680. This would now make the grand total for claims prior to each individual's application in FY19 to be \$85,874,610 (\$88,817,290 total claims prior to application - \$2,942,680 claims prior to application for pregnant women and newborns).

Also, a similar waiver was approved in Arizona which exempted children under 19 years of age. MHD assumes this population would also need to be exempted from this legislation. In FY19, the total claims prior to each individual's application date for children under 19 was \$3,240,080. MHD removed Department of Mental Health (DMH) costs of \$4,727,404 associated with this population. DMH will report their fiscal impact in their response. This would now make the grand total for claims prior to each individual's application in FY19 to be \$77,907,126 ((\$85,874,610 remaining claims prior to application - \$3,240,080 claims prior to application for children under 19 = \$82,634,530) - \$4,727,404 DMH's costs).

MHD would assume the \$77,907,126 to be a potential savings, since these particular claims would no longer be allowed because of this legislation. A 5.1% inflation rate would be used for the upcoming years.

ASSUMPTION (continued)

If this legislation is passed, MHD will need to apply for a Section 1115 waiver to remove the retroactive eligibility period. MO HealthNet Managed Care may also need to update language in the Managed Care contract. Due to the timing of this waiver and the start date in this legislation, MHD assumes the earliest MHD would see any savings would be FY 23.

FY21: Total: \$0 (\$0 GR; \$0 Federal)

FY22: Total: \$0 (\$0 GR; \$0 Federal)

FY23: Total: \$90,445,160 (\$31,535,514 GR; \$58,909,646 Federal)

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

Officials from the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS** state changes to the Family Assistance Management Information Systems (FAMIS) and the Missouri Eligibility Determination and Enrollment System (MEDES) will be needed for the proposed legislation.

FAMIS would need to be updated to set the start date of any approved benefits to the date of application instead of the date of approval. This involves minor changes to the eligibility determination process and, going by the limited information provided in the proposed legislation, appears to be a relatively less complex change.

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 90.72 hours in FY 21 for a cost of \$8,618 (90.72 * \$95), split 53% GR; 47% Federal. Ongoing maintenance is estimated to cost \$1,767 in FY 22 and \$1,811 in FY 23, split 53% GR; 47% Federal.

Therefore, the total FAMIS upgrades will cost \$8,618 (\$4,567 GR; \$4,051 Federal) in FY 21; \$1,767 (\$937 GR; \$830 Federal) in FY 22 and (\$960 GR; \$851 Federal) in FY 23.

Updates to MEDES include, but are not limited to: modification of the Curam program to remove and disable prior quarter functionality; and update Curam Express Rules (CER rules engine) to have coverage start on the application date as opposed to the first day of the month of application and any prior quarter months.

ASSUMPTION (continued)

Modifications for the MEDES system must be performed by Redmane. Hourly IT costs under this contract vary by position title and work type. It is estimated to take 2,480 hours for a total cost of \$408,040 in FY 21 exclusively. The federal match rate will be 90% for design, development and implementation (DDI) under the CMS "Seven Conditions and Standards for Enhanced Funding".

Therefore, the total MEDES upgrades will be split \$40,804 GR; \$367,236 Federal in FY 21 exclusively.

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

Officials from the **Department of Mental Health (DMH)** state §208.152 is changed to add subsection 15 which requires that, beginning July 1, 2022, MO HealthNet benefits begin no sooner than the date of a person's application. This requirement eliminates prior quarter Medicaid coverage and coverage for days of the month of application that are prior to the application date. The subsection directs DSS to request a waiver from CMS of the requirement to provide prior quarter coverage in 42 U.S.C. Section 1396a(a)(34) and 42 CFR 435.915. DSS assumes the requirement will not apply to children under the age of 19 and pregnant women.

DMH currently receives Medicaid payment for services provided prior to the date of application for coverage of community psychiatric rehabilitation (CPR) services, comprehensive substance treatment and rehabilitation (CSTAR) services, Certified Community Behavioral Health Organizations (CCBHO), Developmentally Disabled (DD) waiver services, Targeted Case Management (TCM), and inpatient services at DMH state institutions.

In FY19, DMH provided services prior to the application date. Once Medicaid eligibility was determined for individuals receiving service, DMH billed MO HealthNet and received payment from Medicaid as follows:

- CPR, CSTAR, and CCBHO \$4,304,226 (federal match \$2,803,471)
- DD waiver services \$3,334,751 (federal match \$2,171,023)
- TCM \$254,090 (federal match \$165,496)
- inpatient services \$88,427 (federal match \$57,595)

ASSUMPTION (continued)

For FY23 (the first year affected), eliminating the coverage prior to the date of application would result in:

- CPR, CSTAR, and CCBHO services provided prior to the date of application being paid for with general revenue (GR) only, thus reducing the amount of GR funding available for services to other DMH clients. The anticipated loss of federal match for CPR, CSTAR, and CCBHO would be \$3,420,637 which would result in approximately 551 clients not receiving those services.
- DD waiver providers not receiving \$2,650,180 federal match on services provided prior to the date of application.
- TCM providers not receiving \$201,929 federal match services provided prior to the date of application.
- DMH not receiving \$70,274 federal match for services provided to patients in state institutions.

DMH used the following assumptions to demonstrate the fiscal impact

DMH Loss for Fiscal Note 4041-01 Senate Bill 684						
	FY19	FY20	FY21	FY22	FY23	clients no longer served FY23
02- Inpatient Services	\$13,219	\$13,893	\$14,601	\$15,346	\$16,129	0
05- Inpatient Services	\$75,208	\$79,044	\$83,075	\$87,312	\$91,765	0
15 -Targeted Case Management ID)	\$254,090	\$267,048	\$280,668	\$294,982	\$310,026	0
85- DD Waiver	\$3,334,751	\$3,504,823	\$3,683,569	\$3,871,431	\$4,068,874	0
86- CSTAR	\$397,699	\$417,982	\$439,299	\$461,703	\$485,250	134
87- CPR	\$1,159,956	\$1,219,113	\$1,281,288	\$1,346,634	\$1,415,312	151
88- CCBHO	\$2,746,571	\$2,886,646	\$3,033,865	\$3,188,592	\$3,351,210	266
Total DMH Loss:	\$7,981,493	\$8,388,549	\$8,816,365	\$9,266,000	\$9,738,566	
Federal match no longer received:	\$5,198,586	\$5,463,714	\$5,742,363	\$6,035,224	\$6,343,020	551

Assumptions used:

65.133% FMAP

1.051 Inflation Rate based on CPI*

* The medical inflation rate updates monthly. The rate found on December 2019 was used for consistency with other FN's.

Oversight does not have any information to the contrary. Oversight notes DMH assumes the loss of the federal match funds could result in a loss of General Revenue funds available for other DMH clients. Therefore, Oversight assumes the loss in federal match funds will result in a cost to DMH of \$0 to (\$6,343,020) beginning in FY 23 for fiscal note purposes.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Savings</u> - DSS (§208.152) Program distributions pp. 4-5	\$0	\$0	\$31,535,514
<u>Costs</u> - OA, ITSD/DSS (§208.152) pp. 5-6			
FAMIS system changes	(\$4,567)	(\$937)	(\$960)
MEDES system changes	<u>(\$40,804)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - OA, ITSD/DSS	<u>(\$45,371)</u>	<u>(\$937)</u>	<u>(\$960)</u>
<u>Costs</u> - DMH (§208.152) GR replacement for lost federal match pp. 6-7	<u>\$0</u>	<u>\$0</u>	<u>\$ 0 to (\$6,343,020)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$45,371)</u>	<u>(\$937)</u>	<u>\$25,191,534 to \$31,534,554</u>
FEDERAL FUNDS			
<u>Income</u> - OA, ITSD/DSS (§208.152)			
Reimbursement for systems changes pp. 5-6	\$371,287	\$830	\$851
<u>Savings</u> - DSS (§208.152) Decrease in program distributions pp. 4-5	\$0	\$0	\$58,909,646
<u>Savings</u> - DMH (§208.152) Decrease in program distributions pp. 6-7	\$0	\$0	\$6,343,020
<u>Costs</u> - OA, ITSD/DSS (§208.152) pp. 5-6			
FAMIS system changes	(\$4,051)	(\$830)	(\$851)
MEDES system changes	<u>(\$367,236)</u>	<u>\$0</u>	<u>\$0</u>
Total <u>Costs</u> - OA, ITSD/DSS	<u>(\$371,287)</u>	<u>(\$830)</u>	<u>(\$851)</u>
<u>Losses</u> - DSS (§208.152) Decrease in program reimbursements pp. 4-5	\$0	\$0	(\$58,909,646)
<u>Losses</u> - DMH (§208.152) Decrease in program reimbursements pp. 6-7	<u>\$0</u>	<u>\$0</u>	<u>(\$6,343,020)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2021
(10 Mo.)

FY 2022

FY 2023

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Beginning July 1, 2022, persons eligible for MO HealthNet benefits shall have such benefits made available no sooner than the date of his or her application. The Department of Social Services shall apply for any waivers or state plan amendments necessary to implement this act, including a waiver of the requirement that the state provide coverage for eligible services furnished in or after the third month before the month in which he or she applied for MO HealthNet benefits if the individual would have been eligible for such benefits at the time (§208.152).

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 Mental Health
Department of Social Services



Julie Morff
Director
February 4, 2020



Ross Strope
Assistant Director
February 4, 2020