

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4414-01
Bill No.: SB 1069
Subject: Medicaid; Disabilities; Elderly; Public Assistance; Social Services Department
Type: Original
Date: February 15, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General	(\$10,531,404)	(\$13,269,302)	(\$14,282,949)
Total Estimated Net Effect on <u>All</u> State Funds	(\$10,531,404)	(\$13,269,302)	(\$14,282,949)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Revenues and Expenditures of approximately \$17 million annually net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Mental Health (DMH)** state that this proposal would decrease the spenddown amount for the waiver program by applying the institutional standard for eligibility. The decreased spenddown amount might generate minimal savings where DMH pays for services to meet spenddown. Any GR funds that could be saved due to the 60% switch to FFP, would be offset due to increased utilization of Medicaid services. Therefore, the fiscal impact to the DMH would be zero.

Department of Social Services - Division of Medical Services (DMS) officials state states are allowed to base eligibility for recipients of waiver services on a higher income standard (Missouri's is \$952) and to use prevention of spousal impoverishment rules (division of assets) to determine resource eligibility. 1915C waiver services may also be restricted to specific eligibility groups such as those of a certain age. Currently, there are six Section 1915C waivers: Elderly and Disabled waiver; Home and Community Based Waiver for Individuals with Mental Retardation and Developmental Disabilities (MRDD) waiver; Independent Living (IL) waiver; Missouri Children with Developmental Disabilities (MOCDD) waiver; AIDS waiver; and Physical Disability waiver. The higher income standard and prevention of spousal impoverishment rules are used for the Elderly and Disabled waiver. None of the other waivers use the prevention of spousal impoverishment rules. The MOCDD waiver uses the higher income standard.

The income standard and the division of assets changes are not expected to have an impact on the AIDS or the Physical Disability waivers. The Independent Living waiver may be affected by the division of assets change. However, when contacted, the Department of Elementary and Secondary (DESE) - Division of Vocational Rehabilitation did not have an estimate of the number of individuals who might be eligible for the IL waiver because of these changes. The DMS may see a savings if anyone is able to leave a nursing home and receive IL waiver services. The YTD FY 02 average Medicaid NF payment for an individual is \$2,402.99 per month. The savings would be offset by any Home and Community Based services (Personal Care at \$13.71/unit) that the individual may need. The DMS assumes the Department of Mental Health would address any impact the proposed legislation may have on the MRDD and MOCDD waivers. The Elderly and Disabled waiver is currently limited to persons over the age of 63. This proposal would remove the age restriction. It is estimated that 2,444 individuals will become Medicaid eligible from the removal of the age restriction. The estimate was based on information from the Department of Health and Senior Services. The Aged and Disabled waiver was expanded a few years ago to include 63 and 64 years old. As of June 2001, 360 persons had entered the Medicaid program because of the reduction in age for this waiver. The average monthly cost for a person receiving Elderly and Disabled waiver services is \$882.

ASSUMPTION (continued)

The cost per month for the new eligibles would be $\$882 \times 2,444 = \$2,155,608$.
FY 03: $\$2,155,608 \times 10 \text{ months} = \$21,556,080$
FY 04: $\$917.28 (\$882 \times 1.04) \times 2,542 (2,444 \times 1.04) = \$2,331,725.76 \times 12 \text{ months} =$
 $\$27,980,709$
FY 05: $\$953.97 (\$917.28 \times 1.04) \times 2,644 (2,542 \times 1.04) = \$2,522,296.68 \times 12 \text{ months} =$
 $\$30,267,560$.

Officials from the **Department of Social Services - Division of Family Services (DFS)** state this proposal, if enacted would provide another placement alternative for those individuals who qualify under the Department of Health and Senior Service's criteria for institutionalization. In addition, DFS states over time the State of Missouri should realize a cost avoidance/savings due to recipients electing to receive Medicaid services in their home environment rather than an institution.

DFS states that states may base eligibility for recipients of waiver services on a higher income standard (Missouri uses \$952) and use spousal impoverishment rules (division of assets) to determine resource eligibility for recipients with income below the higher standard. DFS interprets the terminology of "income allowances" in the proposal to only mean use of the higher income standard (currently \$952) for the waiver groups. Also, DFS interprets this legislation to require DFS to follow federal law which only allows the division of assets to be applied to persons actually in an institution or for HCB recipients with income below the specific income standard (currently \$952).

DFS states the higher income standard and prevention of spousal impoverishment rules are used for the Elderly and Disabled waiver. None of the other waivers use the prevention of spousal impoverishment rules. The Sara Lopez waiver uses the higher income standard, but the others do not. The effect of this proposal would be to require use of these eligibility rules for all of these waiver groups.

The main result on all waiver groups, with the exception of Sara Lopez and the Elderly and Disabled group, would be to change Medicaid status for some of the participants from spenddown to non-spenddown. Since these cases are already being maintained by the DFS, there is no fiscal impact to DFS.

States can also restrict 1915C waiver services to specific eligibility groups. The elderly and disabled waiver is currently for persons over age 63. This proposal would require DFS to cover all Permanent and Total Disability recipients of any age and create new eligibles when applying the division of assets.

The Independent Living waiver is currently limited to persons ages 18 to 64. This proposal
ASSUMPTION (continued)

would allow persons age 65 and over to choose to receive services through the Independent Living waiver instead of the Elderly and Disabled waiver, but would not result in new eligibles for the DFS.

DFS states the division of assets would have some effect on the Independent Living group and the AIDS waiver group, but little on the MRDD, Sara Lopez, and Physical Disability recipients.

The Department of Health and Senior Services projects approximately 2,444 new eligibles as a result of the age restriction being removed from the 1915C waiver groups, specifically the Elderly and Disabled waiver group.

DFS states the changes to the other 1915C waiver groups (Independent Living, MDDD, Sara Lopez, AIDS, Physical Disability) are expected to have a minimal impact to the DFS.

DFS states a Medicaid caseload is 480 cases. The DFS assumes 2,444 new eligibles. This would require 5 new Caseworker FTE ($2,444/480 = 5.09$). Caseworker duties and responsibilities include taking and processing applications for eligibility, responding and answering both written and telephone requests for information, and maintaining all active cases in their caseload. The annual salary for a caseworker is \$29,040. The DFS would need one Clerk Typist II FTE to support the additional caseworkers. The annual salary for a Clerk Typist II is \$20,472.

DOS - Division of Legal Services (DLS) officials state that for the proposed changes, DLS has been informed that new eligibles would be as follows:

FY'03, 2,444
FY'04, 2,542
FY'05, 2,644

FY'03:

For the purposes of this fiscal note, assume that, of the 2,444 nominally eligible persons, 10% were found not to be eligible and were to request a hearing. There would be 244 hearings per year in the Hearings Unit of the DLS. Assuming 4 hours per case for the Hearings Officer to process each appeal from receipt of the request for hearing to final decision, Hearings Officers would expend 976 hours on these 244 hearings and would require no additional Hearing Officers. ($4 \text{ hours/case} \times 244 \text{ cases} = 976 \text{ hours} \div 2,080 \text{ hours/attorney/year} = .469 \text{ hearing officers}$). There would be no need for support staff at the hearings level since there would be no need for additional hearings officers. DLS assumes th DLS Hearings Unit would be able to absorb this additional workload using its present resources.

For the purposes of this fiscal note, assume that, of the 244 cases in which persons requested a ASSUMPTION (continued)

hearing that 10% or 24 filed an affidavit of appeal to the circuit court. Assuming 40 hours per case for the Litigation Unit to process each petition for judicial review from the filing of the affidavit of appeal to the circuit court to final judgment from the circuit court, the Litigation Unit would expend 960 hours on these 24 petitions for judicial review and would require no additional litigation attorneys or support staff. ($40 \text{ hrs/case} \times 24 \text{ cases} = 960 \text{ hours}$ divided by $2,080 \text{ hours/attorney/year} = .461 \text{ attorneys}$). Using a ratio of 1 FTE support staff for every 2 attorneys, no new FTE support staff would be required to handle the increased workload.

FY'04:

For the purposes of this fiscal note, assume that, of the 2,542 nominally eligible persons, 10% were found not to be eligible and were to request a hearing. There would be 254 hearings per year in the Hearings Unit of the DLS. Assuming 4 hours per case for the Hearings Officer to process each appeal from receipt of the request for hearing to final decision, Hearings Officers would expend 1,016 hours on these 254 hearings and would require no additional Hearing Officer. ($4 \text{ hours/case} \times 254 \text{ cases} = 1,016 \text{ hours}$ $\div 2,080 \text{ hours/attorney-year} = .488 \text{ hearing officers}$). There would be no need for support staff at the hearings level since there would be no need for additional hearings officers. DLS assumes th DLS Hearings Unit would be able to absorb this additional workload using its present resources.

For the purposes of this fiscal note, assume that, of the 254 cases in which persons requested a hearing that 10% or 25 filed an affidavit of appeal to the circuit court. Assuming 40 hours per case for the Litigation Unit to process each petition for judicial review from the filing of the affidavit of appeal to the circuit court to final judgment from the circuit court, the Litigation Unit would expend 1,000 hours on these 25 petitions for judicial review and would require no additional litigation attorneys or support staff. ($40 \text{ hours/case} \times 25 \text{ cases} = 1,000 \text{ hours}$ $\div 2,080 \text{ hours/attorney-year} = .481 \text{ attorneys}$) Using a ratio of 1 FTE support staff for every 2 attorneys, no new FTE support staff would be required to handle the increased workload.

FY'05:

For the purposes of this fiscal note, assume that, of the 2,644 nominally eligible persons, 10% were found not to be eligible and were to request a hearing. There would be 264 hearings per year in the Hearings Unit of the DLS. Assuming 4 hours per case for the Hearings Officer to process each appeal from receipt of the request for hearing to final decision, Hearings Officers would expend 1,056 hours on these 264 hearings and would require no additional Hearing Officers. ($4 \text{ hours/case} \times 264 \text{ cases} = 1,056 \text{ hours}$ $\div 2,080 \text{ hours/attorney-year} = .508 \text{ hearing officers}$). There would be no need for support staff at the hearings level since there would be no need for additional hearings officers. DLS assumes th DLS Hearings Unit would be able to absorb this additional workload using its present resources.

ASSUMPTION (continued)

For the purposes of this fiscal note, assume that, of the 264 cases in which persons requested a

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hearing that 10% or 26 filed an affidavit of appeal to the circuit court. Assuming 40 hours per case for the Litigation Unit to process each petition for judicial review from the filing of the affidavit of appeal to the circuit court to final judgment from the circuit court, the Litigation Unit would expend 1,040 hours on these 26 petitions for judicial review and would require no additional litigation attorneys or support staff. (40 hours/case x 26 cases = 1,040 hours ÷ 2,080 hours/attorney-year = .500 attorneys). Using a ratio of 1 FTE support staff for every 2 attorneys, no new FTE support staff would be required to handle the increased workload.

DLS assumes for each fiscal year noted above, there would be additional workload on both hearings and litigation created by this legislation, but it would not result in the need for one or more FTE's. DLS anticipates that the costs to the DLS would be less than \$100,000 for each noted fiscal year.

Oversight assumes that DLS would absorb the additional workload with existing resources.

Officials from the **Department of Health and Senior Services (DOH)** assume that the proposed legislation would extend the Medicaid eligibility criteria currently applied to nursing facility residents to individuals residing in the home or community when such individuals are eligible for a Home and Community based 1115C Medicaid Waiver. DOH states revised eligibility criteria includes age, income allowances, and resource limits as it relates to the division of assets. The expanded eligibility would increase the potential for additional recipients in the out-years as the population of seniors age 60 and over continues to increase.

In determining fiscal impact of the proposed legislation, the DOH, Division of Senior Services has made the following assumptions: DFS will calculate the fiscal impact associated with determining eligibility for Medicaid services using the new requirements. The DMS will determine the fiscal impact associated with the Medicaid costs for services for the new group of eligibles. The DLS will determine the fiscal impact associated with the cost of any administrative hearings.

DOH states based on the changes to the requirement for the Home and Community Based Waiver eligibility (removal of the age restrictions and modifications to the division of assets and income allowances), 2,444 additional recipients would become eligible for waiver services and will require Division of Senior Services case management in the first year.

Additionally, DOH projects the client population will grow at a rate of 4% per year based upon the standard Medical Care Inflation Index provided by the Division of Medical Services. Based on this growth factor, the division estimates that 2,542 clients will require case management in the second year and 2,643 in the third year. Therefore, the division will need 31 Social Service ASSUMPTION (continued)

Worker II ($2,444 / 80 = 30.55$) positions in the first year to case manage the new eligibles based

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on current average caseload size of 80 cases per SSW.

The division will need thirty-two Social Service Workers or one (1) additional worker the second year ($2,542 / 80 = 31.78$) and thirty-three or one (1) additional workers the third year ($2,643 / 80 = 33.04$). The division will also need four (4) Home and Community Services Area Supervisor positions based on current supervision levels of one supervisor for every nine staff. The division will add the supervisors and clerical support staff in the first year. The Social Service Worker IIs will be placed in the following counties/locations: Year One (thirty-one workers): Christian, Dallas, Greene (2), Jasper, Taney, Cape Girardeau, Carter, Pemiscot, Scott, Stoddard, Chariton, Clay, Jackson, Pettis, Vernon, Buchanan, Clinton, Sullivan, Boone, Camden, Macon, Monroe, Marion, Washington, Franklin, Jefferson, St. Charles, St. Louis City [Prince Hall (2), Wainwright (1)]; Year Two: (32 workers - 1 additional worker) Livingston; Year Three: (33 workers - 1 additional worker) Scotland. The four (4) Area Supervisor positions and the four (4) Office Support Assistant positions will be placed in Pemiscot, Christian, Macon, and Jefferson counties.

Social Service Worker II duties: responsible for the investigation of hotlines, pre-long term care screenings, the eligibility determination and authorization of state-funded in-home services.

Home and Community Services Area Supervisor duties: supervise Social Service Workers; provide oversight and accountability for the performance of the SSWs including case review, evaluation and guidance; act as the first point of contact for complaint resolutions when clients are dissatisfied with services or staff performance.

Office Support Asst. (Keyboard) duties: provides the necessary clerical support to the Area Supervisors, Social Service Workers, and the activities of the unit.

In addition to standard E&E, systems furniture for the new Social Service Workers and Office Support Asst. positions in Jasper, Taney, Cape Girardeau, Pemiscot, Scott, Stoddard, Clay, Jackson, Pettis, Buchanan, Boone, Macon, Scotland, and Prince Hall in St. Louis will be needed at a cost of \$4,500 per FTE.

FY2003 costs are based on the ten (10) month period September 1, 2002 through June 30, 2003. FY2004 and FY2005 costs include a 3.0% inflation adjustment for expense and equipment costs and a 2.5% inflation adjustment for personal services.

Oversight assumes relocation expense of \$150 per employee would not be needed. In addition, DOH assumed rental expense and janitorial/trash/utility expense would be required for a approximately \$133,000 per year. **Oversight** assumes since staff will be located in existing

ASSUMPTION (continued)

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offices, this additional cost would not be needed. In a similar bill, DOH had not responded and Oversight estimated DOH costs based upon caseload. Oversight estimated costs to be \$1,748,427 in FY '03; \$2,046,339 in FY '04 and \$2,155,208 in FY 05.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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GENERAL REVENUE

Costs - Department of Social Services -
 Division of Medical Services

Medical assistance payments	(\$8,357,292)	(\$10,848,121)	(\$11,734,733)
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Costs - Department of Social Services -
 Division of Family Services

Personal Service (4 FTE)	(\$94,775)	(\$116,620)	(\$119,535)
Fringe Benefits	(\$34,122)	(\$41,995)	(\$43,045)
Expense and Equipment	(\$50,691)	(\$19,012)	(\$19,582)
Total <u>Costs</u> - DFS	<u>(\$179,588)</u>	<u>(\$177,627)</u>	<u>(\$182,162)</u>

Costs - Department of Health and Senior
 Services

Personal Service (41 FTE)	(\$1,074,109)	(\$1,356,113)	(\$1,425,851)
Fringe benefits	(\$386,787)	(\$488,336)	(\$513,449)
Expense and Equipment	(\$533,628)	(\$399,105)	(\$426,754)
Total <u>Costs</u> -DOH	<u>(\$1,994,524)</u>	<u>(\$2,243,554)</u>	<u>(\$2,366,054)</u>

**ESTIMATED NET EFFECT ON
 GENERAL REVENUE**

	<u>(\$10,531,404)</u>	<u>(\$13,269,302)</u>	<u>(\$14,282,949)</u>
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FEDERAL FUNDS

Income - Department of Social Services -
 Division of Medical Services

Medicaid reimbursements	\$13,287,245	\$17,220,076	\$18,622,549
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Costs - Department of Social Services -
 Division of Medical Services

Medical assistance payments	(\$13,198,788)	(\$17,132,588)	(\$18,532,827)
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<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Costs</u> - Department of Social Services - Division of Family Services			
Personal Service (2 FTE)	(\$46,680)	(\$57,440)	(\$58,876)
Fringe Benefits	(\$16,810)	(\$20,684)	(\$21,201)
Expense and Equipment	(\$24,967)	(\$9,364)	(\$9,645)
Total <u>Costs</u> - DFS	(\$88,457)	(\$87,488)	(\$89,722)

ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<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.

DESCRIPTION

This proposal requires Medicaid eligibility and benefits for home- and community-based services to be equal to that of institutional care. If necessary, the Department of Social Services must apply to the United States Department of Health and Human Services for a waiver to implement the provisions of this section.

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

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Department of Mental Health
Department of Health and Senior Services
Department of Social Services

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
February 15, 2002