

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4604-01
Bill No.: SB 1160
Subject: Children and Minors: Family Law
Type: Original
Date: February 21, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$69,791)	(\$29,908)	(\$35,974)
Total Estimated Net Effect on <u>All</u> State Funds	(\$69,791)	(\$29,908)	(\$35,974)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Federal	(\$196,457)	(\$131,461)	(\$143,157)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$196,457)	(\$131,461)	(\$143,157)

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 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services - Division of Medical Services (DOS - DMS)** stated that the proposal would aid DMS in collecting recoveries from insurance companies which provide benefits to Medicaid eligibles (third-party liability - TPL - recoveries).

Children are an automatic bypass for TPL recoveries. DMS pays Medicaid providers for medical services for Medicaid eligible children and then attempts to recover payments from health benefits plans when DMS discovers that the eligible has commercial health insurance coverage. This process is called "pay and chase".

The **Division of Child Support Enforcement (DCSE)** estimates that 4,488 children per year have health insurance coverage as part of their child support. DMS's experience has been that 33% of these cases are covered by commercial health insurance. The average annual TPL collection from child support health insurance recoveries is \$357.95. DMS officials estimate potential additional recoveries as:

$$4,488 \times 33\% = 1,481 \text{ cases} \times \$357.95 \text{ per case} = \$530,124$$

DCSE officials stated that DCSE personnel would have to send a National Medical Support Notice (NMSN) with each income withholding notice to an employer or union within two business days after a new hire is entered into the State Directory of New Hires when: 1) the non-custodial parent (NCP) has been ordered to provide medical insurance but is not doing so, or 2) an income withholding notice is deemed inappropriate but it is appropriate to send an NMSN.

Officials stated that the Division issued 98,087 income withholding notices and that 66% of NCPs has been ordered to provide medical insurance. The Division would, therefore, mail 64,737 NMSNs annually. The Division already sends withholding notices via certified mail. Each NMSN would add 2 ounces to the mailings.

Additional postage would be $64,737 \times \$0.46 = \$29,779$.

DCSE officials anticipate the proposal would increase inquiries from custodial parents, non-custodial parents, employers and unions, increase hearings and require additional time to enter insurance data into the Missouri Automated Child Support System (MACSS).

Officials anticipate that 72% of NCPs would be offered health insurance coverage through their employers, therefore 46,611 NMSNs ($64,737 \times .72$) could affect Child Support Enforcement (CSE) Technicians. Officials also note that the Division also sends out about 21,183 (actual in FY 2001) Orders to Enroll dependents in health benefit plans.

ASSUMPTION (continued)

46,611 - 21,183 = 25,428 additional notices.

Each notice take about one-half hour to complete.

$25,428 \times .5 \text{ hours} = 12,714 \text{ hours} / 2080 \text{ hours per year} = 6 \text{ FTE.}$

CSE Technicians would have additional duties of contacting custodial parents, reviewing health benefit options and choosing a health care plan in some cases. This process takes an average of 1.5 hours per case. DCSE officials estimate (using Kaiser Foundation research) that of the 46,611 NMSNs where the NCP would be offered health insurance by the employer, 17% are not enrolled in employer-offered plans and 65% are offered more than one insurance plan option.

$46,611 \text{ NMSNs} \times .17 = 7,924 \text{ notices} \times .65 = 5,151 \text{ notices requiring review}$

$5,151 \times 1.5 \text{ hours} = 7,727 \text{ hours} / 2080 \text{ hours per year} = 4 \text{ FTE.}$

DCSE workload measures are one supervisor per five CSEs and one clerical support person per three professional staff, thus officials would request 10 Child Support Enforcement Technicians, two Child Support Enforcement Supervisors, two Clerk Typists II and a Clerk Typist III to carry out duties related to this proposal.

DCSE officials estimate that changes to the MACSS would require 250 hours through a third party contractor. The contractor cost would be \$105 per hour. Total cost would be \$26,250.

DCSE officials also estimated an impact on DMS Medicaid programs. Officials determined that (based on FY 2001 activity) DCSE would issue 43,554 additional medical notices annually due to this proposal.

$(98,087 \text{ NMSNs} \times .66 \text{ cases where NCP has been ordered to provide health insurance} - (\text{minus}) 21,183 \text{ medical notices already sent out each year} = 43,554 \text{ additional notices})$

DCSE officials determined that 47% of IV-D cases are on Medicaid, therefore 20,470 medical notices will go to IV-D Medicaid cases. DCSE surveys show that the employer or union enrolls the child in their health insurance plan 21% of the time, after receiving a medical notice. DCSE officials assume that the implementation of NMSN would make the assurance of insurance available to the NCP (non-custodial parent) unknown. Therefore, for fiscal note purposes, DCSE officials assume that IV-D children would be enrolled in employer or union health care plans 15% of the time, after receiving medical notices. The number of IV-D Medicaid cases where children would be enrolled in the NCP's health plan is estimated at 3,070 ($20,470 \times .15$) annually.

ASSUMPTION (continued)

Officials estimate that with NMSN (National Medical Support Notice) requirements, they would send notices to TPL (third party liability) in 86% of IV-D Medicaid cases. There are an average of 1.7 children per IV-D case; therefore 4,488 IV-D children would be covered for at least one month annually due to NMSN requirements.

(3,070 x .86 = 2,640 x 1.7 children per case = 4,488 children.)

Oversight notes that Department of Social Services officials computed income and costs for the proposal based on the proposal's having an emergency clause and a provision that all employers, unions and health care plan administrators shall comply with terms of the national medical support notice whether issued by the Division of Child Support Enforcement of the IV-D agency of another state which appears regular on its face. Neither of these provisions are in the proposal as written.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Income</u> - Department of Social Services - Division of Medical Services			
Increased Insurance Recoveries	\$171,274	\$205,529	\$205,529
<u>Cost</u> - Department of Social Services - Division of Child Support Enforcement			
Personal Service (5.1 FTE)	(\$122,288)	(\$150,415)	(\$154,715)
Fringe Benefits	(\$44,036)	(\$54,164)	(\$55,519)
Expense and Equipment	<u>(\$74,741)</u>	<u>(\$30,858)</u>	<u>(\$31,269)</u>
Administrative Costs to DOS	(\$241,065)	(\$235,437)	(\$241,503)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$69,791)</u>	<u>(\$29,908)</u>	<u>(\$35,974)</u>

FEDERAL FUNDS

Income - Department of Social Services -
 Division of Medical Services

Increased Insurance Recoveries	\$270,496	\$324,595	\$324,595
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Cost - Department of Social Services -
 Division of Child Support Enforcement

Personal Service (9.9 FTE)	(\$237,384)	(\$291,982)	(\$299,282)
Fringe Benefits	(\$85,482)	(\$105,143)	(\$107,771)
Expense and Equipment	<u>(\$144,087)</u>	<u>(\$58,931)</u>	<u>(\$60,699)</u>
Administrative Costs to DOS	(\$466,953)	(\$456,056)	(\$467,752)

ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>(\$196,457)</u>	<u>(\$131,461)</u>	<u>(\$143,157)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small business which offer health insurance plans could be affected by this proposal.

DESCRIPTION

This proposal would require the Department of Social Services' Division of Child Support Enforcement to use federal guidelines when notifying employers of their obligation to enroll an obligor's (usually a non-custodial parent's) child in their health benefits plan. The plans would provide custodial parents and the Division of Child Support Enforcement with a description of coverage or coverages available.

The proposal specifies actions and time frames for actions required of custodial and non-custodial parents, employers and health plans in response to Department of Social Services notices.

This legislation is not federally mandated, would not duplicate any other program and would not

DESCRIPTION (continued)

require additional capital improvements or rental space. This legislation could affect Total State Revenue.

SOURCES OF INFORMATION

Department of Social Services



Mickey Wilson, CPA
Acting Director
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