

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1613-01  
Bill No.: HB 627  
Subject: Medicaid; Social Services Department  
Type: Original  
Date: February 25, 2013

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Bill Summary: This proposal changes the eligibility requirements for medical assistance under the MO HealthNet program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(\$115,197,874)	(\$236,142,623)	(\$249,272,888)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$115,197,874)</b>	<b>(\$236,142,623)</b>	<b>(\$249,272,888)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Other State	(\$103,830,952)	(\$212,772,527)	(\$224,449,111)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$103,830,952)</b>	<b>(\$212,772,527)</b>	<b>(\$224,449,111)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</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>

\* Revenue and expenditures to exceed \$733 million annually and net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)** state there will be costs for the three new eligibility groups: parents between 19% and 100% of federal poverty level (FPL); childless adults to 100% FPL, and the medically frail to 100% FPL. These three groups are not eligible for the enhanced matching rate available to the states through the Federal Affordable Care Act since the eligibility level is set at 100% FPL, not 133%. Therefore, the cost for these groups is calculated at the regular federal match rate.

There is a cost savings as a result of reducing eligibility for pregnant women from 185% to 133% FPL.

The Department of Health and the Department of Corrections will experience a small savings as a result of some of their clients qualifying for coverage under one of the three new groups. Previously, the medical costs for these individuals were paid with 100% GR. If they qualify for coverage under one of the three new groups, they will be eligible for the federal match rate.

DFAS assumes the proposal will result in a cost to General Revenue (GR) of \$115,197,874 for FY 14; \$236,142,623 for FY 15; and \$249,272,888 for FY 16. In addition, there will be costs to Other State Funds of \$103,830,952 for FY 14; \$212,772,527 for FY 15; and \$224,449,111 for FY 16. Increases in federal funds exceeding \$733 million annually will be offset by increased program expenditures and net to \$0.

Officials from the **Department of Health and Senior Services (DHSS)** provide the following:

#### Services for New Participants

The DHSS assumes the Department of Social Services will calculate the fiscal impact associated with determining eligibility under the new requirements, the cost of services for the new group of eligible recipients, and the cost of any administrative hearings regarding denial of eligibility. The appropriations for Medicaid Home and Community Based (HCB) Services are included in the DHSS/DSDS budget. DHSS estimates the average annual cost per participant at \$11,381 for FY 2014.

#### Assessment and Reassessment Costs

Each new participant in Home and Community Based (HCB) Services would receive a prescreen, an initial assessment, and an annual reassessment in subsequent years. Each prescreen takes an average of one hour to complete. Each assessment takes an average of two hours to complete.

ASSUMPTION (continued)

DHSS will require additional staff to complete assessments and reassessments on the newly eligible individuals. DHSS estimates that 1.00 FTE is required to complete 2,080 prescreens, and 1.00 FTE is required to complete 1,040 assessments/reassessments per year.

The fiscal impact of this proposal is unknown.

**Oversight** assumes the number of new prescreening and assessments for HCBS the DHSS would be required to perform, as a result of the expansion in MO HealthNet, would be absorbable within their current appropriation level. However, if the number of new recipients of HCBS were to increase significantly, the DHSS could request additional funding through the appropriations process.

Officials from the **Department of Mental Health (DMH)** state the DMH serves consumers in the Division of Alcohol and Drug Abuse and the Division of Comprehensive Psychiatric Services programs that are not currently eligible for MO HealthNet that would qualify in the new eligibility category. These consumers would meet the definition of medically frail. Covering the cost of services for these existing consumers under MO HealthNet would save approximately \$12,471,308 annually and allow DMH to redirect state funds currently used for the services to meet maintenance of effort requirements for various federal grants. There also will be additional individuals with substance use disorders and serious mental illness who would qualify in the new eligibility category. The state would receive the normal federal match, about 62%, for these services. DMH costs and/or cost savings for these changes will be included in DSS costs and/or cost savings to the MO HealthNet program.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to the BAP. The legislation will result in increased revenues to the state. Increasing the number of Missourian's eligible for a federally funded health benefits services package will increase federal dollars spent on health care in Missouri by \$716 million in calendar year 2014. This infusion of federal dollars will allow health care employers to increase their payrolls.

BAP assumes health care providers will continue to spend the same percentage of revenues on salaries and is assuming an effective 4.5% rate of withholding for those employees. Because this legislation does not begin until January 1, 2014, BAP assumes that only 1/3 of income tax revenues will be realized in Fiscal Year 2014. BAP is assuming a full year of revenue growth in the subsequent fiscal years. See the chart below for a break-out of new revenues that result from increased income tax collections by Fiscal Year.

ASSUMPTION (continued)

BAP assumes that those salary increases will result in 19.20% being spent on general revenue taxable goods at a three percent sales tax rate. See the chart below for a break-out of new revenues that result from these increased sales tax collections.

BAP also assumes that 6.9% of the non-salary revenue received by health care providers will be spent on general revenue taxable goods at a three percent sales tax rate. See the chart below for a break-out of the new revenues that result from these increased sales tax collections.

	FY 14	FY 15	FY 16
Income Tax	\$3,708,225	\$11,403,645	\$11,985,772
Sales Tax - Function of Income Tax	\$1,438,342	\$1,502,962	\$1,597,559
Sales Tax - Non-Salary Portion Health Care Providers	\$ 685,211	\$ 715,996	\$ 761,061
TOTAL	\$5,831,779	\$13,622,602	\$14,344,391

The growth in taxes is due solely to the growth in federally funded health benefit services (no multipliers were used).

Additional sales tax revenue will also be generated for education (1%), Conservation (.125%) and Department of Natural Resources (0.1%). See below for increases sales tax estimates.

Additional Sales Tax Impacts

	FY 14	FY 15	FY 16
Prop C - Function of Income Tax	\$588,282	\$614,711	\$653,401
Prop C - Non-Salary Portion Health Care Providers	\$280,252	\$292,842	\$311,274
Prop C TOTAL	\$868,533	\$907,554	\$964,675

ASSUMPTION (continued)

Additional Sales Tax Impacts

	FY 14	FY 15	FY 16
Conservation - Function of Income Tax	\$ 74,794	\$ 78,154	\$ 83,073
Conservation - Non-Salary Portion Health Care Providers	\$ 35,631	\$ 37,232	\$ 39,575
DNR - Function of Income Tax	\$ 60,410	\$ 63,124	\$ 67,097
DNR - Non-Salary Portion Health Care Providers	\$ 28,779	\$ 30,072	\$ 31,965
<b>TOTAL</b>	<b>\$199,614</b>	<b>\$208,582</b>	<b>\$221,710</b>

**Oversight** assumes the tax revenue projections provided by BAP are an indirect result of expanding MO HealthNet services and, therefore, will not present these revenues in the fiscal impact segment of the fiscal note.

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 Secretary of State's office 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 \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized 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 within its 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.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (6 Mo.)	FY 2015	FY 2016
<b>GENERAL REVENUE FUND</b>			
<u>Costs - DOS-DFAS</u>			
Increase in Medicaid program costs (\$208.995)	<u>(\$115,197,874)</u>	<u>(\$236,142,623)</u>	<u>(\$249,272,888)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$115,197,874)</u></b>	<b><u>(\$236,142,623)</u></b>	<b><u>(\$249,272,888)</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Costs - DOS-DFAS</u>			
Increase in Medicaid program costs (\$208.995)	(\$103,830,952)	(\$212,772,527)	(\$224,449,111)
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<b><u>(\$103,830,952)</u></b>	<b><u>(\$212,772,527)</u></b>	<b><u>(\$224,449,111)</u></b>
<b>FEDERAL FUNDS</b>			
<u>Income - DSS-DFAS</u>			
Increase in Medicaid program reimbursements	\$347,852,372	\$733,318,466	\$773,561,698
<u>Costs - DSS-DFAS</u>			
Increase in Medicaid program expenditures	<u>(\$347,852,372)</u>	<u>(\$733,318,466)</u>	<u>(\$773,561,698)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2014 (6 Mo.)	FY 2015	FY 2016
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

### FISCAL IMPACT - Small Business

Small business Home and Community Based Service (HCBS) providers may see an increase in the number of Medicaid recipients they service, thereby, increasing the amount of Medicaid reimbursement they receive. Costs may also increase if the number of clients served increase to the point the HCBS provider has to hire additional employees.

### FISCAL DESCRIPTION

This proposal changes the law regarding the MO HealthNet Program. In its provisions, the proposal provides: (1) Beginning January 1, 2014, the following individuals must be eligible for MO HealthNet coverage: individuals covered by MO HealthNet for families, individuals covered by transitional MO HealthNet, individuals covered by extended MO HealthNet for families on child support closings, pregnant women and children less than one year of age whose family income does not exceed 185% of the federal poverty level, children less than six years of age whose family income does not exceed 135% of the federal poverty level, children less than 19 years of age whose family income does not exceed 100% of the federal poverty level, CHIP-eligible children; and uninsured women; (2) Specifies the income eligibility standards for certain individuals; (3) Beginning January 1, 2014, the eligibility requirement for the alternative package of MO HealthNet benefits will include individuals who are between the ages of 19 and 65, are not pregnant, are not entitled to or enrolled in Medicare Part A or Part B benefits, are not eligible for or enrolled in mandatory coverage under MO HealthNet, and have a household income that is at or below 100% of the federal poverty level; (4) Individuals qualified for the alternative package of MO HealthNet benefits may only receive a package of alternative minimum benefits unless he or she is classified as medically frail. The medically frail must receive all of the coverage he or she is eligible to receive; (5) The Department of Social Services is required to work with the Department of Mental Health and the Department of Health and Senior Services to create a screening process for determining whether an individual is medically frail; and (6) Premium subsidies and other support must be provided to individuals who are eligible for alternative minimum benefits for his or her enrollment into cost effective employer-provided health plans.

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

Office of Administration -  
    Division of Budget and Planning  
Department of Mental Health  
Department of Health and Senior Services  
Department of Social Services -  
    Division of Finance and Administrative Services  
Joint Committee on Administrative Rules  
Office of Secretary of State



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