

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4664-01
Bill No.: HB 1753
Subject: Medicaid/MO HealthNet; Disabilities; Elderly; Social Services Department
Type: Original
Date: February 1, 2016

Bill Summary: This proposal allows structured family caregiving as a covered service under MO HealthNet, subject to the approval of federal waivers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$135,000)	\$0 to (\$165,359,451)	\$0 to (\$169,707,644)
Total Estimated Net Effect on General Revenue	(\$135,000)	\$0 to (\$165,359,451)	\$0 to (\$169,707,644)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Federal *	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income, savings, expenditures and losses exceed \$540 million annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services (DHSS), Division of Senior and Disability Services (DSDS)** provide the following information and assumptions:

Section 208.896

The proposed legislation specifies that the Aged and Disabled Waiver (ADW) and Independent Living Waiver (ILW) would have the structured family caregiver service added.

The number of unduplicated participants having paid claims under the Aged and Disabled Waiver in FY2015 was 15,645. The number of unduplicated participants having paid claims under the Independent Living Waiver in FY2015 was 144.

Section 208.896.1

For fiscal note purposes DSDS assumes structured family caregiving would be available to all of the individuals listed above and that two or more caregivers for each participant would require training. DSDS suspects that additional individuals will opt for structured family caregiver, though an estimate cannot be given at this time, driving an increase in costs.

Changes will be required to the Home- and Community-Based Services (HCBS) web tool system in which HCBS assessments are completed and HCBS authorizations are approved. Using a similar recent change, where an HCBS waiver was added, DSDS estimates the cost to be at least \$200,000, paid at the administrative match rate of 50 percent General Revenue and 50 percent Federal. The changes would be completed in FY2017 in preparation for implementation on July 1, 2017.

Section 208.896.3(4)

The addition of structured family caregiver would require approval of modifications to the Aged and Disabled Waiver (ADW) and the Independent Living Waiver (ILW) by the Centers for Medicare and Medicaid (CMS) to add structured family caregiver services as a covered home and community-based services waiver service. In addition, the ADW is agency model only. To add consumer direction will require the addition of Financial Management Services (FMS) at the cost of \$110 per participant per month.

DSDS assumes a high percentage of individuals would opt for structured family caregiving and move away from traditional waiver services.

ASSUMPTION (continued)

For fiscal note purposes DHSS calculated the daily rate based on the cost cap amount for HCBS which is \$3,180 per month, or \$104.55 per day ($\$3,180 \times 12 \div 365 = \104.55). Because HCBS cannot exceed this rate, this would be the highest amount that could be set as the daily rate. It is important to note that if a participant has structured family caregiver services every day of the year at this rate, they would not be allowed to utilize any other HCBS.

An annual increase in the cost cap rate of 2.75 percent is estimated (based on the previous four-year average) resulting in a daily rate at implementation in FY2018 of \$110.38 ($\104.55×1.0275 (FY17) $\times 1.0275$ (FY18) = \$110.38). The estimated daily rate for FY2019 is \$113.42 ($\$110.38 \times 1.0275 = \113.42). This rate would cover both payments to caregivers and payments to provider agencies for professional support services.

Section 208.896.4(1)

Submission and approval of amendments to the each of the waivers would be required by the Centers for Medicare and Medicaid (CMS) prior to implementation, no later than July 1, 2017. These duties would be absorbed by existing DHSS staff.

Section 208.896.4(2)

DHSS would be required to develop criteria, regulations, and policies for structured family caregiver agencies for staffing, quality, qualification, and training standards. These duties would be absorbed by existing DSDS staff.

Cost of Services

DSDS estimates the cost of structured family caregiver in FY2018 = $[(15,645 \text{ ADW} + 144 \text{ ILW} = 15,789 \times 365 \times \$110.38 = \$636,118,284) + (15,645 \text{ ADW} \times 12 \times \$110.00 \text{ FMS} = \$20,651,400)] = (\$0 \text{ to } \$656,769,625)$.

DSDS estimates the cost of structured family caregiver in FY2019 = $(15,789 \times 365 \times \$113.42 = \$653,637,759) + (15,645 \times 12 \times \$110.00 = \$20,651,400) = (\$0 \text{ to } \$674,289,159)$.

MO HealthNet covered services are reimbursed at the Federal Medical Assistance Percentage (FMAP). For this estimate, DSDS is using the FY2017 blended rate of 36.772 % General Revenue (GR) and 63.228% Federal.

ASSUMPTION (continued)

	Unduplicated Participants Authorized	FY2018 Family Caregiver Daily Rate	FY2018 Estimated Annual Cost	FY2019 Family Caregiver Daily Rate	FY 2019 Estimated Annual Cost
ADW	15,645	\$110.38	\$630,316,711	\$113.42	\$647,676,404
ILW	144	\$110.38	\$5,801,573	\$113.42	\$5,961,355
TOTAL	15,789	\$110.38	\$636,118,284	\$113.42	\$653,637,759
GR			\$233,913,415		\$240,355,677
FED			\$402,204,869		\$413,282,082

	Unduplicated Participants Authorized	FY2018 Financial Management Services Monthly Rate	FY2018 Estimated Annual Cost	FY2019 Financial Management Services Monthly Rate	FY 2019 Estimated Annual Cost
ADW	15,645	\$110.00	\$20,651,400	\$110.00	\$20,651,400
GR			\$7,593,933		\$7,593,933
FED			\$13,057,467		\$13,057,467

Offsetting Savings

Since the daily rate for structured family caregiver would be the maximum amount per participant per day, there would be waiver services participants could no longer use. Because each of the waivers has a different average cost per participant, driven by the different services offered in each waiver, the amounts were calculated separately. The estimated average annual cost per participant for FY2015 for each group was used to calculate the FY2016 total cost for waiver services. That FY2016 total was then multiplied by the average annual growth in the cost cap of 2.75% for FY2017, FY2018, and FY2019.

ADW

FY2015 ADW Annual Expenditures = \$184,634,155

FY2015 ADW Unduplicated Participants= 15,645

FY2015 ADW Average Annual Cost per Participant = \$184,634,155 / 15,645 = \$11,801

FY2017 \$11,801 X 15,645 = \$184,634,155 (FY15) X 1.0275 (FY16) X 1.0275 (FY 17) = \$194,928,663

FY2018 \$194,928,663 X 1.0275 = \$200,289,201

FY2019 \$200,289,201 X 1.0275 = \$205,797,154

ASSUMPTION (continued)

ILW

FY2015 ILW Annual Expenditures= \$6,261,120

FY2015 ILW Unduplicated Participants= 144

FY2015 ILW Average Annual Cost per Participant = \$6,261,120 / 144 = \$43,480

FY2017 \$43,480 X 144 = \$6,261,120 (FY15) X 1.0275 (FY16) X 1.0275 (17) = \$6,610,217

FY2018 \$6,610,217 X 1.0275 = \$6,791,998

FY2019 \$6,791,998 X 1.0275 = \$6,978,778

The FY2017 blended rate of 36.772% GR and 63.228% Federal was applied to the total estimated cost waiver services for FY2017 and FY2018. This is the amount of the maximum estimated savings from waiver participants that choose structured family caregiving and then will not be able to participate in other waiver programs.

	Unduplicated Participants Authorized	FY 2018 Estimated Waiver Savings	FY 2019 Estimated Waiver Savings
ADW	15,645	\$200,289,201	\$205,797,154
ILW	144	\$6,791,998	\$6,978,778
TOTAL	15,789	\$207,081,199	\$212,775,932
GR		\$76,147,898	\$78,241,966
FED		\$130,933,301	\$134,533,966

Net Effect

Federal matching funds would be utilized as offset for 63.228% of the costs. For the purposes of this estimate, the number of unduplicated participants authorized in each waiver has no caseload growth factor applied. However, DSDS assumes that there will be growth in some, if not all of these waivers. Using the static number of 15,789 waiver participants, the net effect is noted below.

	FY 2018			FY 2019		
	GR	FED	TOTAL	GR	FED	TOTAL
Estimated Cost Maximum Savings	(\$241,507,349)	(\$415,262,336)	(\$656,769,685)	(\$247,949,610)	(\$426,339,549)	(\$674,289,159)
	\$76,147,898	\$130,933,301	\$207,081,199	\$78,241,966	\$134,533,966	\$212,775,932
Subtotal Federal Match	(\$165,359,451)	(\$284,329,035)	(\$449,688,486)	(\$169,707,644)	(\$291,805,583)	(\$461,513,227)
		\$284,329,035	\$284,329,035		\$291,805,583	\$291,805,583
Net Effect	(\$165,359,451)	\$0	(\$165,359,451)	(\$169,707,644)	\$0	(\$169,707,644)

ASSUMPTION (continued)

TOTAL COST

DSDS is unable to determine the exact cost of the proposal due to the following unknown factors:

- if CMS would approve waiver amendments to add structured family caregiver;
- the number of participants who would opt for structured family caregiver;
- the amount of units of structured family caregiver each participant would use;
- the number of additional participants who would be added to the waivers;
- the number of providers who would participate as structured family caregiver agencies; and
- the number of individuals each provider would have participate in train-the-trainer programs.

Therefore, the estimated total fiscal impact of this fiscal note is (\$100,000) in FY2017; (\$0 to \$165,359,451) GR in FY2018 and (\$0 to \$169,707,644) GR in FY2019.

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)** state bhis bill adds structured family caregiving as a covered service under MO HealthNet, subject to the approval of federal waivers by July 1, 2017.

Services in the Independent Living Waiver and in the Aged and Disabled Waiver are paid via the Department of Health and Senior Services' (DHSS) budget. MHD assumes structured family caregiving services will be paid via the DHSS budget as well. It is also assumed that DHSS will be the operating agency for the service/program. The staffing for the program, evaluation, assessment, and policy and procedure development will be DHSS'.

This bill requires MHD to seek amendments to two Home- and Community-Based Services (HCBS) waivers to allow structured family caregiving to become a covered service. MHD assumes new provider types will need to be added to the Medicaid Management Information System (MMIS) in order to properly track and report this new service. This will be completed by MMIS and Wipro (IT services consulting firm). It is estimated these changes will require 500 hours of work. Other costs include adding the new service to Cognos (a data reporting tool), finance reports and Centers for Medicare and Medicaid Services (CMS) reports which accounts for 100 hours of work. There will also need to be a System Task Request (STR) completed through Wipro in order for system changes to occur and this will take an additional 100 hours of work. The total time to make these changes is 700 hours. MHD uses \$100/hour to account for the changes and updates. This will cost MHD \$70,000 (50/50 split General Revenue (GR) and Federal). There are no ongoing costs for MHD.

Officials from the **Division of Legal Services (DLS)** assume the proposed legislation will have no impact on the DLS.

ASSUMPTION (continued)

Officials from the **Office of the 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 the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the 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 the office can sustain with the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

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 2017	FY 2018	FY 2019
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Savings - DHSS (\$208.896)</u>			
Reduction in HCBS waiver services	\$0	\$0 to \$76,147,898	\$0 to \$78,241,966
<u>Costs - DHSS (\$208.896)</u>			
Webtool changes	(\$100,000)	\$0	\$0
Structured Family Caregiver services	<u>\$0</u>	<u>\$0 to</u>	<u>\$0 to</u>
		<u>(\$241,507,349)</u>	<u>(\$247,949,610)</u>
Total <u>Costs</u> - DHSS	<u>(\$100,000)</u>	<u>\$0 to</u>	<u>\$0 to</u>
		<u>(\$241,507,349)</u>	<u>(\$247,949,610)</u>
<u>Costs - DSS (\$208.896)</u>			
MMIS system changes	<u>(\$35,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND			
	<u>(\$135,000)</u>	<u>\$0 to</u>	<u>\$0 to</u>
		<u>(\$165,359,451)</u>	<u>(\$169,707,644)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
FEDERAL FUNDS			
<u>Income - DSS (§208.896)</u>			
Reimbursement for MMIS system changes	\$35,000	\$0	\$0
<u>Income - DHSS (§208.896)</u>			
Webtool updates	\$100,000	\$0	\$0
Structured Family Caregiver service reimbursement		\$0 to \$415,262,336	\$0 to \$426,339,549
<u>Savings - DHSS (§208.896)</u>			
Reduction in HCBS waiver expenditures	<u>\$0</u>	<u>\$0 to</u> \$130,933,301	<u>\$0 to</u> \$134,533,966
Total All - <u>Income and Savings</u>	<u>\$135,000</u>	<u>\$0 to</u> \$546,195,637	<u>\$0 to</u> \$560,873,515
<u>Costs - DSS (§208.896)</u>			
MMIS system changes	(\$35,000)	\$0	\$0
<u>Costs - DHSS (§208.896)</u>			
Webtool updates	(\$100,000)	\$0	\$0
Structured Family Caregiver services	\$0	\$0 to (\$415,262,336)	\$0 to (\$426,339,549)
<u>Loss - DHSS (§208.896)</u>			
Reduction in HCBS waiver reimbursements	<u>\$0</u>	<u>\$0 to</u> (\$130,933,301)	<u>\$0 to</u> (\$134,533,966)
Total All - <u>Costs and Losses</u>	<u>(\$135,000)</u>	<u>\$0 to</u> (\$546,195,637)	<u>\$0 to</u> (\$560,873,515)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact on small businesses that could provide structured family caregiving to clients.

FISCAL DESCRIPTION

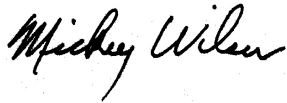
This bill adds structured family caregiving to the MO HealthNet Program to ensure the availability of comprehensive and cost effective choices for a MO HealthNet participant to live at home in the community of his or her choice and to receive support from a caregiver of his or her choice. Structured family caregiving must be added as a covered home- and community-based waiver service in the Missouri aged and disabled adult waiver and the independent living waiver, subject to federal approval of any amendments to the home- and community-based waiver and the independent living waiver which are necessary to implement these provisions.

The bill specifies what the added structured family caregiving service must include. Within 30 days of the effective date of these provisions, the MO HealthNet Division must, if necessary to implement the provisions of this section, apply to the United States Secretary of Health and Human Services for an amendment to the aged and disabled adult waiver and the independent living waiver for the purpose of including structured family caregiving as a covered service for eligible home- and community-based waiver care participants. The division must request an effective date of not later than July 1, 2017, and must take all administrative actions necessary to ensure time and equitable availability of structured family caregiving services for any home- and community-based care participant.

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 Health and Senior Services
Department of Social Services -
MO HealthNet
Division of Legal Services
Joint Committee on Administrative Rules
Office of Secretary of State



Mickey Wilson, CPA
Director
February 1, 2016

Ross Strobe
Assistant Director
February 1, 2016