

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5958-01  
Bill No.: HB 2407  
Subject: Health and Senior Services Department; Medicaid/MO HealthNet; Mental Health Department; Social Services Department; State Departments  
Type: Original  
Date: February 29, 2016

Bill Summary: This proposal transfers and restructures the duties and powers of the Department of Health and Senior Services to the Department of Social Services, Department of Mental Health and Health, and the Department of MO HealthNet.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 or (Unknown, could exceed \$865,395)	\$0 or Unknown to (Unknown, greater than \$100,000)	\$0 or Unknown to (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 or (Unknown, could exceed \$865,395)</b>	<b>\$0 or Unknown to (Unknown, greater than \$100,000)</b>	<b>\$0 or Unknown to (Unknown)</b>

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

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 13 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</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>

\* Income and expenses net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to very similar legislation from 2014 for HB 2267/LR# 6462.01, the following agency responses were provided:

In response to HB 2267 (2014), officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD)** stated email address accounts would need to be changed/updated. Server shares would need to be modified for changes in users. Server and SharePoint site layout/structure would need to be modified. State supported web pages would need to be updated/modified. Data systems and applications will have to change because of new, yet unknown, business rules. Staff time would be required to move computer equipment and other equipment supported by ITSD. Networks may need to be divided or joined requiring the purchase of additional equipment. All of these costs are unknown.

For modifications to the Medicaid Management Information System (MMIS), the overall cost estimate \$610,000. The areas included in the estimate are:

- eMMIS Screens
- MMIS Reports
- Cognos/Adhoc
- eMomed
- DSS/MHD website changes in system/documentation
- Email domain change
- IVR Scripts
- System documentation

In addition, there would also be substantial changes to the Web portal and systems (such as Cyber Access) supported by Xerox.

Therefore, costs associated with MO HealthNet Division (MHD) are currently Unknown > \$610,000.

ASSUMPTION (continued)

Impact Estimates for Medicaid moving into the Department of MO HealthNet (DMHN):

Moving Missouri Medicaid Audit Compliance (MMAC) under a newly formed Mo HealthNet Department will cause the header/footer changes on web pages to replace the Department of Social Services (DSS) wording and DSS logo. 300 hours is estimated.

For the MMAC transfer, over 80 exchange addresses will change, keeping the old addresses as aliases. MMAC has nine distribution groups that will need to be changed. The active directory group will be doing those changes plus Department of Mental Health (DMH) and Department of Health and Senior Services (DHSS) personnel transfers. State Data Center (SCD) charges are unknown.

The Survey and Utilization Review System (SURS) Analyst and Lock-In systems may need header/footer changes. 120 hours are estimated.

The current provider portal is supported by Wipro/Infocrossing. Costs for changes are unknown.

MMAC contracts software is used internally. The software either says "State of Missouri" or it reflects the name of the software so no change is required.

Medicaid system Name changes on letters and reports;

497 Medical Services (MS) online and batch programs  
19 Income Maintenance (IM) online and batch programs and  
86 IM and MS letter overlays

Total 602 modules x 4 hours/module = 2,408 hours

ITSD-DSS Medicaid group would move with their systems under the new DMHN.

10 ITSD staff in the Medicaid group would move to DMHN. ITSD assumes moving the Medicaid systems will be in a manner similar to that was previously used to move the division of Senior Services system from the DSS to the Department of Health. Medicaid will stay in the current DSS environments. No changes to any development or Production libraries will be made. No interfaces with other systems will change and the only changes will be in security, cost accounting, and SAM II. 700 hours is estimated to make these changes.

Total Medicaid hours: 3,228 hours x \$63.04 = Unknown > \$ 203,493 (rounded)

HWC:LR:OD

ASSUMPTION (continued)

Impact to ITSD-DSS:

DSS would need to create new Memorandums of Understanding (MOUs) with the DMHN and with Department of Mental Health and Health (DMHH). Protected Health Information (PHI) tracking would be required since Medicaid data will be crossing departments. 400 hours estimated assuming 4 jobs at 100 hours each. Interfaces would need to be built between DSS and the DMHN for Family and Children's Electronic System (FACES), MO Eligibility Determination and Enrollment System (MEDES), Missouri Automated Child Support System (MACSS), Division of Youth Services (DYS), and possibly other systems. 1,200 hours – estimate 2 interfaces for each system, at 120 hours each.

There are copy modules for the Personnel system that reflect the DSS divisions and organizations. With several division names going away (Children's Division, Youth Services, etc), those Social Services Personnel programs are impacted. 200 hours estimated.

All static Internet and intranet pages would need to have header and footer changes to reflect the new Division names. 2,000 hours for internet and intranet changes estimated.

All electronic forms would require changes to the division names. It is assumed DSS changes the forms and ITSD implements to the internet and intranet changes – included in 2,000 hours above.

All applications would require changes to reflect the new Division names:  
1,600 hours - 80+ applications at 200 hours each

Integrate the DHSS systems into DSS including:  
Women, Infants and Children (WIC)  
Senior and disability services  
At-Home Health services  
Number of ITDS staff to transfer that support these systems  
Unknown Impact - Estimate to come from DHSS

The decision as to how the functions of MEDES/FAMIS (Family Assistance Management Information System) would be supported could have a substantial financial impact as well.

MEDES is an ACA- (Affordable Care Act) compliant, integrated eligibility determination and enrollment system with functions split across several divisions within the Department of Social Services:

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ASSUMPTION (continued)

- The eligibility determination and case management components of the system are administered by the Family Support Division;
- Enrollment in fee-for-service Medicaid and Managed Care health plans is administered by MO HealthNet Division;  
Some of the cost allocation and financial components support the Division of Financial and Account Services;
- Some financial components, including premiums, invoicing, and bill collections for some Medicaid and CHIP cases, are administered by MO HealthNet Division;
- Appeals management supports the Division of Legal Services;
- There are some over-arching functions that support all of the DSS' agencies; these include security access and account provisioning, audit functions, account numbering (Common Client Area), content management, etc.

Some functions would split between DSS and DMHN, with most of the functions in the Department of Social Services. Enrollment and plan selection components and the financial component that performs premiums processing would likely end up in the Department of MO HealthNet. Because these functions are already split between divisions, most of the cost would be associated with account provisioning changes specifically with user-based roles, changes associated with correspondence (headers, director names, etc.), and changes to how costs are allocated for storage, print and CPU usage. Some of the web pages in MEDES may also have changes to reflect the new department and division names. The cost for these changes is unknown.

Total ITSD-DSS hours: 5,400 hours x \$63.04 = Unknown > \$ 340,416.

MHD and Medicaid are split 50% General Revenue (GR) and 50% Federal  
 ITSD-DSS would be 100% General Revenue

<u>Estimate</u>		Federal	GR
MHD	Unknown > \$ 610,000	\$ 305,000	\$ 305,000
Medicaid	Unknown > \$ 203,493	\$ 101,747	\$ 101,746
<u>ITSD-DSS</u>	<u>Unknown &gt; \$ 340,416</u>	<u>\$0</u>	<u>\$ 304,416</u>
Total	Unknown > \$ 1,153,909	\$ 406,747	\$ 711,162

**Oversight** assumes, for fiscal note purposes, that OA-ITSD would complete changes to the computer systems for the departmental reorganizations in FY17 as the departments will not be able to complete their reorganization duties until the computer system changes have been accomplished.

ASSUMPTION (continued)

**Oversight** notes for the current fiscal note that ITSD has stated in other fiscal note responses that they assume every new IT project/system will be bid out because all ITSD resources are at full capacity. The current contract rate for IT consultants is \$75 per hour compared to the \$63.04 per hour rate used in the 2014 fiscal note. Therefore, Oversight assumes IT costs for the this proposal will be more than \$103,000 higher than those reported in the fiscal note for HB 2267 (\$64,584 for ITSD-DSS and \$38,607 for Medicaid, as presented above); (3,228 Medicaid contract hours + 5,400 ITSD-DSS hours = 8,628 hours X (\$75 current IT contract rate - \$63.04 contract rate for 2014 = \$11.96 per contract hour X 8,268 hours = \$103,191).

<u>Estimate</u>		Federal	GR
MHD	Unknown > \$ 610,000	\$ 305,000	\$ 305,000
Medicaid	Unknown > \$ 203,493	\$ 101,747	\$ 101,746
	<b>Additional IT contract costs \$ 64,584</b>	<b>\$ 32,292</b>	<b>\$ 32,292</b>
ITSD-DSS	Unknown > \$ 340,416	\$0	\$ 304,416
	<b>Additional IT contract costs \$ 38,607</b>	<b>\$0</b>	<b>\$ 38,607</b>
<b>Total</b>	<b>Unknown &gt; \$ 1,257,100</b>	<b>\$ 439,039</b>	<b>\$ 782,061</b>

In response to HB 2267 (2014), officials from the **OA - Facilities Management, Design and Construction (FMDC)** stated with the various staffing moves between the various agencies, the effect this would have on the allocated funds in HB 13 within all of the state-owned and leased facilities for these departmental changes is yet to be determined.

This could result in increases or decrease in space depending upon changes of staff. This could also affect the percentage of General Revenue (GR), Federal, and Other State Funds used to pay rent in state-owned and leased facilities.

The minimum cost for these moves/relocations is \$400 per FTE. The fiscal impact is unknown for OA-FMDC.

In response to HB 2267 (2014), **Oversight** assumed Unknown savings or costs from changes in the percentages used to allocate costs to GR, Federal, and Other State Funds would continue once the reorganization is completed. Since it is not known when the reorganization will be completed, Oversight will range OA-FMDC's impact from \$0 or Unknown savings to Unknown costs for FY17 and FY18 and Unknown savings to Unknown costs for FY19.

**Oversight** notes per the OA's current budget directions that the minimum cost to physically move/relocate employees, excluding telecommunications relocations, is \$300 per FTE. Telecommunications relocation costs range from \$200 to \$425 per station. Therefore, the actual cost to physically move/relocation an FTE would range from \$500 to \$725 per FTE.

ASSUMPTION (continued)

In response to HB 2267 (2014), officials from the **Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)** stated there will be one-time unknown administrative costs associated with the reorganization of departments and divisions. It is unknown if the one-time costs would occur in FY15 or FY16. Some of the administrative costs the Department of Social Services would expect to incur include relocation of employees, causing a need to reconfigure office space, both in state buildings and rented space. This could involve renegotiating leases, as well as physically moving office furniture and equipment. In addition, phone and data lines would need to be relocated. There may also be some training costs for employees transferred to other departments. Until the specific employees to be transferred and the allocation of office space are determined, these costs cannot be fully identified. Therefore, the administrative costs are unknown to General Revenue and Federal funds.

In response to HB 2267 (2014), officials from the **Department of Mental Health (DMH)** stated DMH assumes that with any reorganization, some costs and some savings may occur. The fiscal impact is unknown at this time, but it is projected that the overall net fiscal impact of the legislation will be minimal.

In response to HB 2267 (2014), officials from the **Missouri Senate** assumed the proposal would not fiscally impact their agency.

**Oversight** assumes since the reorganization involves three state departments and may involve relocating an unknown number of employees and physically moving equipment and supplies, that costs would exceed \$100,000 in either FY17 or FY18. Therefore, the administrative fiscal impact of this proposal is assumed to be unknown, greater than \$100,000 for FY17 and/or FY18, but since it is not known when the actual reorganization would occur, costs for both years are ranged from \$0 to Unknown, greater than \$100,000. Oversight further assumes the reorganization would be complete by the end of FY17 and there would be no additional costs in FY18.

**Oversight** notes that the provisions in Section B of the current proposal provide that the act will not be enforceable until enabling legislation is enacted. Therefore, Oversight will range all costs as \$0 or the amounts provided.

In response to the current proposal, officials from the **Department of Health and Senior Services (DHSS)** state that although the proposal abolishes DHSS, the various duties of the department will be transferred to a newly created Department of MO HealthNet, a renamed Department of Mental Health and Health, and the Department of Social Services. Since all funding and responsibilities will be transferred to other departments, the proposal will have no fiscal impact on the overall state budget.



<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE FUND</b>			
<u>Costs - OA-ITSD</u>	\$0 or...	\$0 or...	\$0 or...
Departmental reorganization ITSD costs	(Unknown, greater than \$782,062)	\$0	\$0
 <u>Costs - OA-FMDC</u>			
Department reorganization costs related to state-owned and leased properties	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)	Unknown to (Unknown)
 <u>Costs - DSS, DHSS, and DMH</u>	\$0 or...	\$0 or...	\$0 or...
Departmental reorganization costs	(\$0 to <u>Unknown,</u> <u>greater than</u> \$83,333)	(\$0 to <u>Unknown,</u> <u>greater than</u> \$100,000)	<u>\$0</u>
 <b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>			
	<u>\$0 or</u> <u>(Unknown,</u> <u>could exceed</u> <u>\$865,395)</u>	<u>\$0 or Unknown</u> <u>to (Unknown,</u> <u>greater than</u> <u>\$100,000)</u>	<u>\$0 or Unknown</u> <u>to (Unknown)</u>
 <b>VARIOUS OTHER STATE FUNDS</b>			
 <u>Costs - OA-FMDC</u>			
Department reorganization costs related to state-owned and leased properties	<u>\$0 or Unknown</u> <u>to (Unknown)</u>	<u>\$0 or Unknown</u> <u>to (Unknown)</u>	<u>Unknown to</u> <u>(Unknown)</u>
 <b>ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS</b>	<u>\$0 or Unknown</u> <u>to (Unknown)</u>	<u>\$0 or Unknown</u> <u>to (Unknown)</u>	<u>Unknown to</u> <u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>FEDERAL FUNDS</b>			
<u>Income - OA-ITSD</u>	\$0 or...	\$0 or...	\$0 or...
Departmental reorganization ITSD cost reimbursements	Unknown, greater than \$439,039	\$0	\$0
<u>Income - OA-FMDC</u>			
Change in reimbursement for state-owned and leased properties	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)	Unknown to (Unknown)
<u>Income - DSS, DHSS, DMH</u>			
Reimbursement income for reorganization costs	\$0 to Unknown, greater than \$83,333	\$0 to Unknown, greater than \$100,000	\$0
<u>Costs - OA-ITSD</u>	\$0 or...	\$0 or...	\$0 or...
Departmental reorganization ITSD cost reimbursements	(Unknown, greater than \$439,039)	\$0	\$0
<u>Costs - OA-FMDC</u>			
Change in state-owned and leased properties expenditures	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)	Unknown to (Unknown)
<u>Costs - DSS, DHSS, DMH</u>			
Reimbursement income for reorganization costs	<u>(\$0 to Unknown, greater than \$83,333)</u>	<u>(\$0 to Unknown, greater than \$100,000)</u>	<u>\$0</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 2017 (10 Mo.)	FY 2018	FY 2019
	<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.

FISCAL DESCRIPTION

Effective July 1, 2017, this bill abolishes the Department of Health and Senior Services and transfers all powers, duties, and functions of the department, including all rules and order, by type I transfer as defined in the Omnibus State Reorganization Act of 1974 as follows: (1) The Division of Senior and Disability Services, the State Board of Senior Services, and the Home Health Services Advisory Council must be transferred to the Human Services Division within the Department of Social Services; (2) The Division of Regulation and Licensure, the Division of Community and Public Health, the Office of Minority Health, the Office of Primary Care and Rural Health, and the Office of Women's Health within the Division of Administration must be transferred to the Department of Mental Health and Health; (3) All powers, duties, and functions of the Department of Health and Senior Services involving the MO HealthNet Program and Medicaid must be transferred to the Department of MO HealthNet; and (4) All powers, duties, and functions of the Department of Health and Senior Services not otherwise specifically transferred in these provisions must be transferred to the Division of Health within the Department of Mental Health and Health. Effective July 1, 2017, the bill establishes the Department of MO HealthNet. All of the powers, duties, and functions of the MO HealthNet Division and the Missouri Medicaid Audit and Compliance Unit must be transferred to the Department of MO HealthNet as specified in the bill. All powers, duties, and functions involving the MO HealthNet Program and Medicaid in the Department of Mental Health and Health and the former Department of Health and Senior Services must be transferred to the Department of MO HealthNet as specified in the bill.

Currently, the Department of Mental Health is headed by the State Mental Health Commission. The bill renames the department to be the Department of Mental Health and Health and the commission to the State Mental Health and Health Commission. The bill increases, from seven to 11, the number of members of the commission to also include practitioners from outside the mental health field as specified in the bill.

FISCAL DESCRIPTION (continued)

Effective July 1, 2017, the bill establishes the Division of Health within the Department of Mental Health and Health. The division must have all powers, duties, and functions transferred to the division under these provisions and any other duties assigned to it by the department.

Effective July 1, 2017, the bill transfers all powers, duties, and functions involving the MO HealthNet program and Medicaid in the Department of Social Services including, but not limited to, the MO HealthNet Division and the Missouri Medicaid Audit and Compliance Unit to the Department of MO HealthNet.

The bill establishes the Welfare Division within the Department of Social Services. The division must be responsible for all entitlement and public assistance programs, other than MO HealthNet and Medicaid, assigned by law to the Department of Social Services including, but not limited to, the Supplemental Nutrition Assistance Program (SNAP); Temporary Assistance for Needy Families (TANF); the Women, Infants, and Children (WIC) Program; and the Low-Income Home Energy Assistance Program (LIHEAP).

The bill establishes the Human Services Division within the Department of Social Services. The division must have all the powers, duties, and functions: (1) Of the Children's Division, the Division of Youth Services, and the State Technical Assistance Team within the office of the director; (2) Assigned to the department by law regarding child support enforcement and rehabilitation services for the blind; and (3) Of the Division of Senior and Disability Services, the State Board of Senior Services, and the Home Health Services Advisory Council.

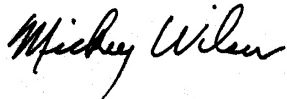
The bill abolishes the Children's Division, Family Support Division, Division of Youth Services, Division of Legal Services, and the Division of Finance and Administration.

The provisions of the bill are not enforceable until enabling legislation to enact, amend, transfer, and repeal the statutory provisions required to implement these provisions is enacted. Upon enactment, these provisions become effective on the following July 1.

This legislation is not federally mandated, would not duplicate any other program but may require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Mental Health  
Department of Health and Senior Services  
Department of Social Services  
Office of Administration -  
    Facilities Management, Design and Construction  
    Information Technology Services Division  
Missouri Senate



Mickey Wilson, CPA  
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February 29, 2016

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