COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0282-01
Bill No.: HB 124
Subject: Medicaid/MO HealthNet; Health Care; Insurance - Health; Social Services Department
Type: Original
Date: April 3, 2017

Bill Summary: This proposal establishes the "Patients First Medicaid Reform Act."

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(Unknown greater than $100,000)	(Unknown greater than $100,000)	(Unknown greater than $100,000)
Total Estimated Net Effect on General Revenue	**(Unknown greater than $100,000)**	**(Unknown greater than $100,000)**	**(Unknown greater than $100,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Insurance Dedicated	Up to $5,000	$0	$0
Total Estimated Net Effect on Other State Funds	**Up to $5,000**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Federal*	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

*** Unknown income and expenses net to $0.**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

§208.1040 - Patients First Medicaid Reform

Officials from the **Department of Social Services (DSS), MO HealthNet Division (MHD)**, **Division of Legal Services (DLS)** and the **Family Support Division (FSD)** provide the following assumptions for this proposal:

This bill amends Chapter 208, RSMO, to add one new section, 208.1040. This new section establishes the "Patients First Medicaid Reform Act." Sections 208.1040 requires the DSS to establish a MO HealthNet savings account (MSA) for MO HealthNet enrollees and their families with the State Treasurer. The amount deposited shall be used to purchase a qualifying individual or family high-deductible policy and fund a portion of a related Health Savings Account. Subsection 208.1040.4 states that all policies shall cover federally-mandated Medicaid benefits and be exempt from other state mandated benefits; subsection 208.1040.7 allows recipients to apply to the DSS to use MSA funds for non-medical expenses as approved by the DSS and stipulates time frames for processing the applications; and subsection 208.1040.8 requires posting of transactions in an online database. An annual report to the General Assembly is required.

MHD

This bill requires DSS, MHD to establish a program to purchase qualifying high-deductible policies and fund a portion of a related health savings account (HSA). The high-deductible health plan (HDHP) must cover federally-mandated Medicaid benefits and be exempt from other state mandated benefits. MHD assumes participation in the HDHP with a related HSA is voluntary and will serve as another healthcare model available to MO HealthNet recipients in addition to the existing MO HealthNet Managed Care and fee-for-service programs. Because the proposed legislation does not repeal or modify existing provisions regarding MO HealthNet eligibility or benefit coverage, MHD assumes all MO HealthNet enrollees will still be eligible for all state and federally-mandated benefits. However, the HDHP will only provide federally-mandated benefits. The state-mandated benefits will be provided outside of this policy as Medicaid "wrap-around" benefits.

Federally-mandated benefits include the following services: nursing facilities; hospitals; most physician-related services; home health; ambulance; non-emergency medical transportation (NEMT); and early, periodic, screening and diagnostic testing (EPSDT) services. MHD also included dental benefits for the elderly (i.e. nursing facility residents), children, and pregnant women as federally-mandated benefits. Any services, drugs, or items resulting from an EPSDT screen were excluded from the HDHP for the purposes of this fiscal note (included as wrap-around benefits).

ASSUMPTION (continued)

Services such as pharmacy, mental health, personal care services, durable medical equipment, home and community-based waiver services, and developmental disability waiver services are not considered federally-mandated benefits but would be provided outside of the HDHP and HSA model.

MO HealthNet assumes that ten percent (10%) of current MO HealthNet participants (including persons with disabilities, elderly, custodial parents, children, and pregnant women) will choose to enroll in this program, or 99,393 members. MO HealthNet based the cost of the premiums for the high-deductible health plan on HDHP rates from the Missouri Consolidated Health Care Plan (MCHCP) 2016 Benefit Guide. The Consolidated Omnibus Budget Reconciliation Act (COBRA) subscriber premiums were used to determine premium rates for custodial parents ($531), children ($182), and pregnant women ($531). The retiree without Medicare premium rate was used for persons with disabilities and the elderly ($833).

MHD then adjusted the MCHCP rates for three variables: 1) acuity, 2) nursing facility costs, and 3) pharmacy costs.

1) On average, MO HealthNet provides medical coverage to individuals who are often sicker than the general population. This population represents a greater risk to the private insurer. After adjusting for cost-based items and assuming we paid 58% of Medicare rates (based on the SFY 2016 MO HealthNet Provider Reimbursement Rate Study), MHD determined that the MCHCP rates would need to be increased by at least 28.58% to insure the MO HealthNet population.

2) In addition, private insurers typically do not include coverage for long-term stays in nursing facilities. However, this benefit is designated as a federally-mandated service and, based on the language in the bill, must be included in the HDHP. MHD calculated the per member per month (PMPM) cost for nursing facility expenditures by large eligibility group based on FY16 expenditures. Therefore, an additional $174.27 will be added to the MCHCP premium rate for persons with disabilities and $810.74 will be added to the rate for the elderly.

3) The third adjustment to the MCHCP rate is to account for the difference between benefits related to pharmacy coverage. The MCHCP policy includes coverage of pharmacy benefits, but this is not classified as a federally-mandated benefit. Therefore, it is not to be included in the MO HealthNet HDHP. MHD calculates that, on average, 26% of the mandatory PMPM (when adjusted to include pharmacy and exclude nursing facility to compare similar benefit coverage) was attributed to pharmacy expenditures. The specific percentage of pharmacy benefits for each large eligibility group was then reduced from the MCHCP rate (disabled -36.27%, elderly-14.08%, custodial parent -25.57%, children -20.29%, and pregnant women -7.92%).

ASSUMPTION (continued)

After adjusting for acuity, nursing facility expenditures, and pharmacy, MHD assumed the following HDHP premium rates for each large eligibility group:

- Persons with disabilities (10% participation = 15,586 recipients): $856.85
- Elderly (10% participation = 7,881 recipients): $1,731.01
- Custodial parents (10% participation = 10,060 recipients): $508.20
- Children (10% participation = 63,395 recipients): $186.54
- Pregnant women (10% participation = 2,472 recipients): $628.72

There would be an additional cost to fund the HSA. MO HealthNet assumed the deductible ($1,650 based on MHCHP's HDHP policy) would be placed into the HSA. On average, MHD assumed participants would be required to contribute $50 per year toward their HSA (i.e. the average out-of-pocket maximum). Therefore, MO HealthNet would fund the remaining $1,600 that would be available in the HSA for the participant's use. MHD further assumes all persons with disabilities, elderly, and pregnant women would expend the full deductible on medical expenses because they are high utilizers of more costly MO HealthNet services. However, only 50% of custodial parents and children would spend half of the HSA on medical expenses. The remaining $825 in the HSA would be available to use on "qualified non-medical expenses" such as education, childcare, and training. For the purposes of this fiscal note, MHD assumes these non-medical expenditures would continue to receive federal matching dollars as provided in the block grant.

The cost to fund the **annual HDHP premiums** is estimated at **$545,869,121** with an additional **$159,029,12**0 for the **HSA** (99,393 total participants x $1,600). The **combined cost** of this model would be **$704,898,241**. This estimate reflects coverage for only federally-mandated benefits.

The FY16 cost to provide mandated services to the same population based on the current FFS and Managed Care models was $487,298,546. This would be a **net increase in cost** for this population of **$217,599,695** per year. It is estimated that year one will be for 10 months and there will be a 4.1% inflation factor for FY19 and FY20.

Oversight contacted MCHCP officials to find out the state employee participation rate in the HDHP with HSA. Based on January, 2017 State Employee Enrollment data, less than 7% of all state employees (3,672 employee participants / 53,693 total state employees = 6.9% rounded) elected to participate in the HDHP with HSA offered. Oversight assumes state employees, as a whole, are healthier than MO HealthNet enrollees as MHD stated that, "on average, MO HealthNet provides medical coverage to individuals who are often sicker than the general population." Therefore, Oversight assumes the MHD would not have a participation rate by MO HealthNet participants that's higher than the average number of state employees that participate in the MCHCP's HDHP with HSA.

ASSUMPTION (continued)

MO HealthNet further assumes the Health Savings Account will function similar to an Electronic Benefit Transfer (EBT) card. MHD would contract with a vendor to perform this function. MHD assumes there would be a one-time start-up fee provided to the EBT vendor at a cost of $1,000,000 followed by on-going monthly maintenance fees. The maintenance fee estimate for the EBT cards is $0.60 per member per month, or $715,636 annually.

MO HealthNet also assumes MMIS modifications would be needed. A one-time cost of $2,000,000 is estimated for systems changes to set up payments to the EBT vendor and HDHP and add eligibility codes to track participants in the program. On-going systems administrative costs would be required to receive and adjudicate encounter claims from the HDHP and HSA.

MHD assumes these additional monthly maintenance fees would be added to the existing MMIS contract at an annual cost of $450,000. MHD defers to the Office of Administration, Information Technology Services Division (OA, ITSD) for an estimate to publish files containing de-identified claims or other transaction data to a website for public accessibility (subsection 8).

There will be an enrollment function needed to enroll participants into this new program. MO HealthNet assumes this can be added to existing contracts that provide similar functions. These include responding to questions via phone from participants, sending out applications, enrolling participants into the program, sending welcome letters, supplying identification cards, and other miscellaneous services. The cost for enrollment functions is estimated to be $100,000 annually.

This bill would require MO HealthNet to establish two new units to oversee the development, implementation, and maintenance of this program and to act as a liaison with other agencies and entities involved in the program. The first unit would oversee the rate development for the high deductible health plans; work with a contracted actuarial firm; and gather, analyze, interpret, and extract claims, expenditures, and member month data into reports for processing and trend tracking and budget projections. This unit will require 3 FTE: a Fiscal and Administrative Manager Band II ($62,976 annually) to oversee the financial planning and analysis of the HDHP and HSA program; a Fiscal & Administrative Manager Band I ($53,328 annually) to serve as a liaison between the contracted actuarial firm and manage the claims, expenditure, and member month data; and a Management Analysis Specialist II ($48,864 annually) to gather, analyze, and interpret the data provided by the health plans and HSA vendors. An annual actuarial study would be required to review HDHP rates at a cost of $50,000. However, the first year cost to develop the rates is estimated at a one-time amount of $200,000. MHD assumes this additional cost could be added to existing vendor contracts for similar functions.

ASSUMPTION (continued)

The second unit would be responsible for contract compliance of the high deductible health plans, development and operation of the HSA program, support enrollment, and work with providers and participants to increase access and improve health outcomes. This unit will require 4 FTE. A Social Services Manager Band II ($62,976 annually) will be needed to create the policies and procedures for implementing the program, create the eligibility and enrollment processes and procedures for enrolling participants, oversee the functions contracted to the Enrollment Broker vendor for the program, and oversee the data submitted for the annual report to the General Assembly. An Auditor II ($39,708 annually) will be needed to develop accounting processes for monitoring the HSAs, to manage the premium support payments to employers of recipients enrolled in the program, and handle the vestment of the funds once recipients are no longer qualified. A Program Development Specialist ($44,352 annually) and Management Analysis Specialist II ($48,864 annually) will be needed to assist the Manager with the development and maintenance of the program including the approval of individual requests to utilize HSA funds for qualifying non-medical expenses, gather and analyze data needed for the required annual report to the General Assembly, and work with the Information, Technology and Support Division (ITSD) to post and maintain the public information as required. MHD assumes both units will be supported by one additional clerical staff ($27,768 annually).

The cost for staffing the two units (8 FTE) would be $581,701 in FY18 (10 months); $649,058 in FY19; and $655,578 in FY20.

MHD assumes the Centers for Medicare and Medicaid Services (CMS) would approve a block grant in the amount that would be required to serve the 99,393 participants in an HDHP with an HSA. MHD further assumes all staff and contracting costs necessary to administer the HDHP and HSA would be included in any CMS-approved block grant. For the purposes of this fiscal note, MHD reflects all costs as General Revenue (GR) or Federal as it is unknown how the existing provider tax structure (which comprises the majority of Other Funds) would function in a block grant model.

FSD

This legislation has no fiscal impact on Family Support Division as the legislation does not change or add any provisions relating to eligibility for MO HealthNet benefits.

ASSUMPTION (continued)

DLS
Section 208.1040.8
No impact to DLS, defer to MHD for impact of implementing online portal.

208.1040.4.
DLS defers to MHD on the impact of providing state mandated benefits.

208.1040.5
DLS assumes MHD will need legal contract review if a vendor was needed to implement this legislation. In addition, DLS will need to provide legal guidance on federal cost-sharing and what is a permitted qualified medical expense. DLS will not require any additional FTE for this increase in workload.

208.1040.08.1040.6.
DLS will need to provide legal advice for this portion of the proposal as well. No additional FTE needed.

208.1040.7.
DLS assumes legal advice will need to be provided during the review process to request use of excess funds. No additional FTE needed.

DSS officials provided the response for the **Office of Administration (OA), Information Technology Services Division (ITSD).**

ITSD staff worked with MHD staff to determine how the provisions in the bill would be implemented and determine what ITSD's effort would be.

Section 208.1040.5
MHD indicates that recipients will access the savings accounts to pay for medical services via an electronic benefits card (EBT). DSS would contract with a vendor to provide such a card (MHD assumes cost of this contract to be $3,000,000). ITSD would have to provide an interface between the state treasurer and EBT card vendor to provide a file of recipients and amounts to load on the cards on a monthly basis. Additionally, the EBT vendor will have to provide a monthly file of services and expenditures on a monthly basis that will be loaded into the Business Intelligence System – Enterprise Data Warehouse (BIS-EDW).

Section 208.1040.6
Subsidies phase out with income until the recipient no longer qualifies for MO HealthNet. ITSD will have to provide income amounts for MO HealthNet recipients from the five eligibility systems (FAMIS, MEDES, Income Maintenance, DYS and FACES). This will require

ASSUMPTION (continued)

implementation of five subroutines to retrieve income data for recipients from MEDES (Medicaid Eligibility Determination and Enrollment System), FAMIS (Family Assistance Management Information System), DYS (Division of Youth Services), FACES (Family and Children Electronic System) and IM (Income Maintenance). A new COBOL program will be required to call the subroutines and build a file containing recipients and income from all of the systems. This data extract will be executed monthly to allow MHD to determine the amount of funds to be deposited in each account based on income.

Section 208.1040.8
All transactions involving the state shall be considered public information and posted in an online database after redaction of personal identifying information. ITSD will have to establish a web site or add pages to an existing DSS web site, and create a database with extract and load processes to store the information to be accessed via the public web site.

Additionally, ITSD will have to extract information from the BIS-EDW on an annual basis to generate a report for the general assembly on cost savings, use of preventative care services, enrollee transition from MO HealthNet, and other appropriation information.

It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.

All costs are split 50/50 between General Revenue and Federal Funds.

ESTIMATED NET EFFECT ON STATE FUNDS

Fund Affected	FY 2018	FY 2019	FY 2020
General Revenue	$72,657	$ 200	$ 205
Other	0	0	0
Federal Funds	$72,657	$ 199	$ 204
Total	**$145,314**	**$ 399**	**$ 409**

Officials from the **Office of Administration (OA), Division of Facilities Management, Design and Construction (FMDC)** state additional space in leased facilities for new staff for agencies in the Cole County area is estimated at 230 sq. ft. per FTE times $17.50 per sq. ft., or $4,025 annually per FTE. This cost includes building lease costs, fuel and utilities, and janitorial services. If a larger space were needed, the space was needed in other regions of the state, or newly constructed space if required, the estimated costs would be higher cost per sq. ft. (estimated at $24.50 per sq. ft.).

ASSUMPTION (continued)

Oversight contacted DSS, MHD officials about various assumptions used to estimate the potential fiscal impact of this proposal. DSS personnel indicated that there was no reliable data available to guide them in many of the assumptions that had to be made and, if the proposal passes, more assumptions will have to be made to implement the provisions of this proposal. As a result of this lack of reliable data to support the assumptions that MHD had to make, Oversight is presenting a negative fiscal impact of unknown exceeding $100,000 annually for both the General Revenue Fund and Federal Funds. It should be noted that the impact to Federal Funds will net to $0 because reimbursements received will equal the costs incurred.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state policy amendments must be submitted to the department for review along with a $50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be up to $5,000.

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews, the DIFP will need to request additional staff to handle the increase in workload.

Officials from the **Department of Mental Health (DMH)** state the proposed legislation adds a new section to Chapter 208, RSMo requiring the Department of Social Services (DSS) to seek a Medicaid waiver to provide benefits to MO HealthNet enrollees or their families through a MO HealthNet savings account (MSA) established with the state treasurer. The amount deposited into the MSA shall be equal to the amount required to purchase a qualifying individual or family a high-deductible health insurance policy and fund a portion of a related Health Savings Account (HSA). Any policy purchased shall meet federal requirements for HSA eligibility and cover federally mandated Medicaid benefits. It is assumed, since the proposed legislation only adds a new section to Chapter 208 and does not change any other Medicaid sections in Chapter 208, that this would be an optional way that MO HealthNet participants can choose to receive their benefits and that non-mandatory services will continue to be covered under traditional Medicaid as wrap around services. These non-mandatory services would include DMH Developmental Disability waiver services, Community Psychiatric Rehabilitation (CPR) services, and Comprehensive Substance Treatment and Rehabilitation (CSTAR) 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 **Department of Health and Senior Services** defer to the Department of Social Services to calculate the fiscal impact of the proposed legislation.

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.

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 **Office of State Treasurer** each assume the proposal would not fiscally impact their respective agencies.

FISCAL IMPACT - State Government	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
Costs - DSS (§208.1040)			
Personal services, fringe benefits, equipment and expenses and state share of program benefits provided to MO HealthNet recipients	(Unknown greater than $100,000)	(Unknown greater than $100,000)	(Unknown greater than $100,000)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**(Unknown greater than $100,000)**	**(Unknown greater than $100,000)**	**(Unknown greater than $100,000)**

FISCAL IMPACT - State Government	FY 2018 (10 Mo.)	FY 2019	FY 2020
INSURANCE DEDICATED FUND			
Income - DIFP			
Form filing fees	Up to $5,000	$0	$0
ESTIMATED NET EFFECT ON THE INSURANCE DEDICATED FUND	**Up to $5,000**	**$0**	**$0**
FEDERAL FUNDS			
Income - DSS (§208.1040)			
Increase in program reimbursements	Unknown greater than $100,000	Unknown greater than $100,000	Unknown greater than $100,000
Costs - DSS (§208.1040)			
Personal services, fringe benefits, equipment and expenses and increase in program benefits costs for services provided to MO HealthNet recipients	(Unknown greater than $100,000)	(Unknown greater than $100,000)	(Unknown greater than $100,000)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2018 (10 Mo.)	FY 2019	FY 2020
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal could have an impact on small business MO HealthNet providers.

FISCAL DESCRIPTION

This bill establishes the "Patients First Medicaid Reform Act" and defines MO HealthNet savings account (MSA) as an account funded by the department that can be used for medical expenses and qualifying nonmedical expenses as approved by the department. The bill requires the Department of Social Services to seek a Medicaid waiver from the federal Centers for Medicare and Medicaid Services to receive federal funding as a five-year block grant. The department must establish MO HealthNet savings accounts for MO HealthNet enrollees or their families with the state treasurer. The amount deposited in an individual's account must be equal to the amount required to purchase a qualifying individual or family high-deductible policy and fund a portion of a related health savings account (HSA).

A current MO HealthNet recipient or guardian who becomes employed may continue to receive premium supports and MSA deposits as long as the recipient continues to qualify and keeps the same policy. Subsidies must phase out with income until the recipient no longer qualifies for MO HealthNet. The employer of a current MO HealthNet recipient or guardian who enrolls in an employer-sponsored insurance policy must receive premium support payments from the department. Payments must phase out with income until the recipient no longer qualifies for MO HealthNet. A current recipient or guardian must have the option to continue the same health insurance coverage without subsidies; 30% of any unspent funds in an MSA account, including earnings, must vest to a MO HealthNet recipient or guardian who no longer qualifies for MO HealthNet.

A MO HealthNet recipient may apply in writing to the department to use MSA funds in excess of any insurance out-of-pocket maximum for education, job training, child care, or other qualifying nonmedical expenses. The department must respond within seven days to each such request and have a final decision within 30 days. All transactions involving the state must be considered public information and posted in an online database after redaction of personal identifying information. The department must provide an annual report to the General Assembly on cost savings, use of preventive care services, enrollee transition from MO HealthNet, and other appropriation information.

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 Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Social Services -
- MO HealthNet Division
- Family Support Division
- Division of Legal Services

Joint Committee on Administrative Rules
Office of Administration -
- Facilities Management, Design and Construction

Office of Secretary of State
Office of State Treasurer

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April 3, 2017	April 3, 2017

HWC:LR:OD