

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1584-02
Bill No.: Perfected HCS for HB 796
Subject: Public Assistance; Social Services Department; Federal - State Relations
Type: #Updated
Date: April 15, 2015
 # Updated to provide additional information from agency response.

Bill Summary: This proposal changes the laws regarding nonmedical public assistance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
#General Revenue	(\$1,238,625)	(\$1,098,405)	(\$1,100,680)
Total Estimated Net Effect on General Revenue	(\$1,238,625)	(\$1,098,405)	(\$1,100,680)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal *	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenditures net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	3.5	3.5	3.5
Federal	3.5	3.5	3.5
Total Estimated Net Effect on FTE	7	7	7

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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to the previous version of this proposal, officials from the **Department of Social Services (DSS)** provided the following information:

Section 208.025.1 - Federal Waivers Regarding ABAWD Under SNAP

This section requires the department to let the federal waiver of the work requirements for able-bodied adults without dependents under the Supplemental Nutrition Assistance Program (SNAP) expire and to not seek an extension of the waiver. The provisions of this subsection shall terminate on January 1, 2019.

Officials from **Family Support Division (FSD)** state if the department were allowed to let the current waiver regarding Able-Bodied Adults Without Dependents (ABAWD) expire, then based on participation as of January 31, 2015, 47,260 individuals could lose Food Stamp benefits. The current ABAWD waiver expires January of 2016.

Food Stamp benefits are paid by the federal government and are not included in FSD's appropriations. FSD anticipates the loss of Food Stamp benefits based on the January 2015 average value of monthly benefits per ABAWD individual as follows: $\$176 \times 47,260 = \$8,317,760$.

There would be 3 months of loss in FY16 or $\$8,317,760 \times 3 \text{ months} = \$24,953,280$. In the subsequent fiscal years it is anticipated that as new ABAWD individuals would come on the program and have eligibility limited to 3 months, there would be nine (9) months of lost benefits per year, $\$8,317,760 \times 9 \text{ months} = \$74,859,840$.

Applying work requirement policy is labor intensive for staff and would require staff training. FSD assumes the training will be provided online. FSD would absorb the costs of the development of the training and the additional duties for field staff to verify the work requirement is met for participants subject to the work requirement.

Appropriate notices concerning the policy must be mailed to all participants notifying them of the reinstatement of work requirement policy at a cost of \$160,964 (rounded up).

Food Stamp households (392,593) x postage rate (\$0.41)
Total cost \$160,964

FSD anticipates savings in electronic benefit transfer (EBT) services. The cost for EBT for Food Stamp households is \$.57 per month. 47,260 of the ABAWD population are single person households; FSD assumes that 10,034 multiple person households would remain eligible for EBT

ASSUMPTION (continued)

services without the ABAWD receiving benefits. After the waiver has expired, the ABAWD population is eligible to receive food stamp benefits for 3 months maximum while not meeting the work requirement. FSD anticipates 47,260 single person ABAWD households would receive benefits for three months from January - March, 2016. There would be 3 months of savings for FY 2016 (April - June) $47,260 \times \$0.57 = \$26,938 \times 3 \text{ months} = \$80,814$. In the subsequent fiscal years it is anticipated that as new ABAWD individuals would come on the program and have eligibility limited to 3 months, there would be nine (9) months of savings per year, $\$26,938 \times 9 \text{ months} = \$242,442$ per year.

Total anticipated EBT savings 1st year: \$80,814

On-going EBT savings annually: \$242,442

Section 208.025.2 - Savings from Modifications to SNAP

This section requires that any savings to the state that resulted from modifications to SNAP under this section or to the temporary assistance for needy families program (TANF) occurring on August 28, 2015, shall be used to provide child care assistance for single parent households, education assistance, and job training for individuals receiving benefits under such programs.

FSD notes this section states that any cost savings due to modifications in the SNAP or Temporary Assistance (TA) programs shall be used to provide child care assistance for single parent households, education assistance and job training.

Under section 208.025.1, if fewer individuals receive food stamp benefits, there may be a reduction in the program's administrative costs long term. Any savings could be redirected to other programs as required in 208.025.2, with the exception of child care assistance. In the short term, administrative costs are expected to increase due to training, administrative complexity of the work requirement policy, systems requirements and mass mailing.

Division of Legal Services (DLS) officials anticipate that additional administrative hearings may be requested resulting from termination of food stamp benefits. FSD estimates that potentially 47,260 individuals could lose SNAP benefits. Assuming five (5%) percent of those participants request a hearing, DLS anticipates that the legislation would result in at least 2,363 additional hearing requests in the months after the legislation takes effect. DLS believes that it will take approximately two hours to conduct each hearing required by this bill. This will include hearing preparation, the actual hearing and the writing and reviewing of the hearing decision. The hearings should not require complex evidence or facts. DLS assumes hearing officers can hold approximately 900 hearings per year. This would result in the need for two (2) additional hearing officers ($2,363/900 = 2.6$ rounded down).

ASSUMPTION (continued)

DSS provided the response for the **Office of Administration (OA), Information Technology Services Division (ITSD)**. ITSD officials provide that Work Requirements is a technical eligibility factor for SNAP in FAMIS (Family Assistance Management Information System) and this technical eligibility determination factor has several business rules built in including logic involving multiple rules table values.

This will require changes to FAMIS for both program logic and the rules tables. The total cost is estimated at \$12,960 to the General Revenue (GR) Fund (172.8 hours contract IT services X \$75/hour). It is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity.

House Amendment 1

#In response to Perfected HB 589 with HCA 1, the following agency responses were provided:

Officials from the **Department of Social Services (DSS), Missouri Medicaid Audit and Compliance Unit (MMAC)** stated MMAC assumes HB 589 will result in a significant increase in the number of appeals of MMAC overpayment determinations. This increase in appeals is estimated to be approximately 50%.

Currently, a MMAC Medicaid Specialist (analyst) completes an audit of a provider's Medicaid claims within 10 hours. MMAC has 22 FTE analysts conducting reviews. An appeal, which includes preparation, discovery and testimony, may take as long as 40 hours, resulting in 30 hours per FTE lost due to appeals. MMAC's average number of completed audits per year is 2,554, with this legislation it is assumed that there will be approximately 164 less audits and possibly 41 more additional appeals which will cause a 6.4% reduction in the number of audits conducted. The two year average of accounts receivables from overpayments in calendar years 2013 and 2014 was \$7,380,638 as a result of provider audits. Therefore, the time spent on appeals will result in the inability to conduct approximately 164 audits per year or 6.4% (164/2,554), resulting in a loss of recoverable funds of \$472,360 (\$7,380,638 X 6.4%).

With enactment of the legislation MMAC analysts will be required to reallocate time away from auditing which will result in the inability to generate the current average recoverable overpayments. Therefore, MMAC would need the following additional 5 FTE to support this legislation, totaling \$252,036 including fringe along with associated E&E expenses for FY 2016 (10 months):

MMAC Attorney - \$39,984 annually
Administrative Analyst II (legal) - \$33,018 annually
Senior Office Support Assistant (SOSA) - \$24,906 annually
Medicaid Specialist (2) – (40,642 annually X 2) = \$81,284

Expenses are split 50/50 between federal and state funds.

ASSUMPTION (continued)

Oversight notes the additional FTE requested by MMAC will allow the unit to maintain the current number of audits being performed each year. In effect, the new FTE will be used to absorb the increase in provider appeals that will be generated by as a result of this proposal.

MHD assumes the cost of the proposed legislation has been appropriated in the current budget. Two Community Health Access Programs will be eligible for up to \$500,000 in funding which will be managed by providers that either own an Emergency Medical Service (EMS) or partner with a local ambulance district. The legislation states additional reimbursement will be provided to emergency medical technicians but for the purpose of this fiscal note it is assumed reimbursement would be made to ambulance providers. The total expenditure will be \$1 million dollars. It is anticipated the proposed legislation would also have a cost savings; however that amount is unknown at this time.

MHD Total Fiscal Impact: FY 2016 \$1,000,000 (GR), FY 2017 \$1,000,000(GR) and FY 2018 \$1,000,000 (GR) and ongoing.

Officials from the **Office of Attorney General** assumed any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Health and Senior Services**, the **Department of Mental Health** and the **Department of Corrections** assumed the proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Savings - DSS-FSD (§208.025.1)</u>			
EBT savings	\$40,407	\$121,221	\$121,221
<u>Costs - DSS- FSD (§208.025.1)</u>			
Postage and mailing costs	(\$80,482)	\$0	\$0
<u>Costs - DSS- FSD (§208.025.2)</u>			
Personal service	(\$33,307)	(\$40,384)	(\$40,788)
Fringe benefits	(\$18,986)	(\$20,917)	(\$21,027)
Equipment and expense	<u>(\$7,279)</u>	<u>(\$5,366)</u>	<u>(\$5,366)</u>
Total <u>Costs - DSS-FSD</u>	<u>(\$59,572)</u>	<u>(\$66,667)</u>	<u>(\$67,181)</u>
FTE Change	1.0 FTE	1.0 FTE	1.0 FTE
<u>Costs - OA-ITSD (§208.025.2)</u>			
System changes/updates	(\$12,960)	\$0	\$0
<u>Costs - DSS- MMAC (§208.152) HA1</u>			
Personal service	(\$74,663)	(\$90,492)	(\$91,397)
Fringe benefits	(\$38,828)	(\$47,060)	(\$47,531)
Equipment and expense	<u>(\$12,527)</u>	<u>(\$15,407)</u>	<u>(\$15,792)</u>
Total <u>Costs - DSS-MMAC</u>	<u>(\$126,018)</u>	<u>(\$152,959)</u>	<u>(\$154,720)</u>
FTE Change - DSS	2.5 FTE	2.5 FTE	2.5 FTE
<u>#Costs - DSS-MHD (§208.152.13)</u>			
EMS reimbursements	<u>(\$1,000,000)</u>	<u>(\$1,000,000)</u>	<u>(\$1,000,000)</u>
#ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$1,238,625)</u>	<u>(\$1,098,405)</u>	<u>(\$1,100,680)</u>
Estimated Net FTE Change on the General Revenue Fund	3.5 FTE	3.5 FTE	3.5 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
FEDERAL FUNDS			
<u>Savings - DSS-FSD (§208.025.1)</u>			
Reduction in EBT costs	\$40,407	\$121,221	\$121,221
<u>Income - DSS-FSD (§208.025.1)</u>			
Increase in program reimbursements	\$80,482	\$0	\$0
<u>Income - DSS-FSD (§208.025.2)</u>			
Personal service	\$33,307	\$40,384	\$40,788
Fringe benefits	\$18,986	\$20,917	\$21,027
Equipment and expense	<u>\$7,279</u>	<u>\$5,366</u>	<u>\$5,366</u>
Total <u>Costs</u> - DSS-FSD	<u>\$59,572</u>	<u>\$66,667</u>	<u>\$67,181</u>
<u>Income - DSS-MMAC (§208.152)</u>			
Increase in federal reimbursements	\$126,018	\$152,959	\$154,720
Total <u>All Savings and Income</u>	<u>\$306,479</u>	<u>\$340,847</u>	<u>\$343,122</u>
<u>Costs - DSS-FSD (§208.025.1)</u>			
Increase in program expenditures	(\$80,482)	\$0	\$0
<u>Costs - DSS-FSD (§208.025.2)</u>			
Personal service	(\$33,307)	(\$40,384)	(\$40,788)
Fringe benefits	(\$18,986)	(\$20,917)	(\$21,027)
Equipment and expense	<u>(\$7,279)</u>	<u>(\$5,366)</u>	<u>(\$5,366)</u>
Total <u>Costs</u> - DSS-FSD	<u>(\$59,572)</u>	<u>(\$66,667)</u>	<u>(\$67,181)</u>
FTE Change	1.0 FTE	1.0 FTE	1.0 FTE
<u>Costs - DSS- MMAC (§208.152) HA1</u>			
Personal service	(\$74,663)	(\$90,492)	(\$91,397)
Fringe benefits	(\$38,828)	(\$47,060)	(\$47,531)
Equipment and expense	<u>(\$12,527)</u>	<u>(\$15,407)</u>	<u>(\$15,792)</u>
Total <u>Costs</u> - DSS-MMAC	<u>(\$126,018)</u>	<u>(\$152,959)</u>	<u>(\$154,720)</u>
FTE Change - DSS	2.5 FTE	2.5 FTE	2.5 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
FEDERAL FUNDS (continued)			
<u>Loss - DSS-FSD (\$208.025.1)</u>			
Reduction in EBT program reimbursements	<u>(\$40,407)</u>	<u>(\$121,221)</u>	<u>(\$121,221)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	3.5 FTE	3.5 FTE	3.5 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business retailers could be negatively impacted when the SNAP waiver expires and certain recipients only receive food stamp benefits for three months.

FISCAL DESCRIPTION

This proposal requires the Department of Social Services to allow the current federal waiver of the Supplemental Nutrition Assistance Program (SNAP) work requirements for able-bodied adults without dependents to expire and prohibits the department from seeking an extension of the waiver. Any ongoing savings resulting from a reduction in state expenditures due to the expiration of the waiver or changes to the Temporary Assistance for Needy Families Program occurring on August 28, 2015, must be used to provide child care assistance for single parent households, education assistance, and job training for individuals receiving benefits under the programs.

House Amendment 1 provides that if Missouri Medicaid audit and compliance changes any interpretation or application of the requirements for reimbursement for MO HealthNet services from the interpretation or application that has been applied previously by the state in any audit of

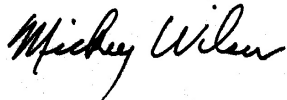
FISCAL DESCRIPTION (continued)

a MO HealthNet provider, Missouri Medicaid audit and compliance must notify all affected MO HealthNet providers before the change takes affect. Failure of the Missouri Medicaid audit and compliance to notify a provider of the change entitles the provider to continue to receive and retain reimbursement until notification is provided and waives any liability of the provider for recoupment or other loss of any payments previously made prior to the date of the notice. The notification required must be delivered by the United States Postal Service or electronic mail to each facility.

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

SOURCES OF INFORMATION

Office of Attorney General
Department of Health and Senior Services
Department of Mental Health
Department of Corrections
Department of Social Services -
 Family Support Division
 Division of Legal Services
Office of Administration -
 Information Technology Services Division



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