

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4706-01
Bill No.: HB 1691
Subject: Medicaid/MO HealthNet; Public Assistance; Disabilities; Health Care
Type: Original
Date: February 11, 2016

Bill Summary: This proposal changes the asset limits to qualify for MO HealthNet benefits to \$2,000 for a single person and \$4,000 for a married couple.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$22,616,353)	(\$27,945,803)	(\$28,784,177)
Total Estimated Net Effect on General Revenue	(\$22,616,353)	(\$27,945,803)	(\$28,784,177)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Other State (various)	(\$15,073,249)	(\$18,630,536)	(\$19,189,452)
Total Estimated Net Effect on Other State Funds	(\$15,073,249)	(\$18,630,536)	(\$19,189,452)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 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 and expenditures exceed \$80 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 Social Services (DSS)**, **MO HealthNet Division (MHD)**, the **Family Support Division (FSD)** and the **Division of Legal Services (DLS)** provide the following information:

HB 1691 increases the asset limit for MO HealthNet for the Aged, Blind, and Disabled (MHABD) to \$2,000 for a single person and \$4,000 for a married couple. Currently, the asset limit is \$1,000 and \$2,000, respectively. It does not contain annual cost of living adjustments (COLA's).

DLS officials state in calendar year 2014, the DLS Hearings Unit issued 5,295 MO HealthNet decisions, 200 of which had to do with excess assets or 3.78% of all MO HealthNet decisions. Assuming that all of the 200 decisions for excessive resources would fall below the asset limits proposed in HB 1691, resulting in no need for a hearing, there could potentially be an initial decrease of 200 hearings per year. The decrease in the number of hearings amount to about .2 FTE lawyers or less, so DLS does not project a reduction in the number of needed FTE hearing officers.

FSD officials state 208.010.2(4) changes the asset limits an aged or disabled participant is allowed to retain in order to qualify for MO HealthNet benefits from less than \$1,000 to \$2,000 for a single person and from \$2,000 to \$4,000 for a married couple.

The FSD determined there would be a total of 6,910 new cases for the MO HealthNet for Aged, Blind, and Disabled (MHABD) program(s) if the resource limits are increased as proposed.

The FSD arrived at 6,910 new cases in this manner:

In State Fiscal Year (SFY) 2015, the FSD rejected (due to excess resources) 5,449 MO HealthNet (MHN) applications. Of these rejected applications, 4,221 were rejected for all FSD MO HealthNet programs. The remaining 1,228 (5,449-4,221) cases were eligible for Qualified Medicare Beneficiary (QMB)/Specified Low Income Medicare Beneficiary (SLMB), which have higher resource limits and are included in the QMB/SLMB population below. The FSD estimates that **901** of the 4,221 applications rejected for all FSD MO HealthNet programs would be eligible if the resource limit was increased to \$2,000 for individuals and \$4,000 for a couple as proposed.

Total new MHN Cases from Rejections: 901

ASSUMPTION (continued)

In the first six months of SFY 2015, 373 or approximately 50% of applications rejected for all programs were eventually approved after they spent their assets down below the applicable resource limit (272 became eligible within 1 month of rejection, 33 cases became eligible within 2 months of rejection, 25 cases became eligible within 3 months of rejection, 16 cases became eligible within 4 months of rejection, 15 cases became eligible within 5 months of rejection, and 12 cases became eligible within 6 months of rejection). Therefore, 451 of the 901 rejected applicants would become eligible incrementally during the first 6 months. The remaining 50% remained ineligible for resources, other reasons, or did not reapply.

Oversight notes from discussions with DSS personnel that DSS assumed 450 of the rejected individuals/couples would immediately qualify if the asset limits were increased and the remaining 451 individuals would spenddown assets to qualify over a period of 6 months (as explained in the previous paragraph). The 901 rejections are comprised of approximately 293 elderly individuals/couples and 608 disabled individuals/couples.

If the resource limit is increased in SFY 2017 to \$2,000 for single individuals or \$4,000 for couples, FSD expects the above trend will continue and approximately 50% of the rejected applications will ultimately be approved within similar timeframes.

In SFY 2015, the FSD closed 918 MO HealthNet for the Aged, Blind, and Disabled (MHABD) cases due to resources. Of these closed cases, 8 were not eligible for other MHN programs. The remaining 910 (918-8) were eligible for QMB/SLMB and are included in the QMB/SLMB population below. The FSD estimates 3 of the 8 cases closed and not eligible for other MHN programs would be eligible if the resource limit was increased to \$2,000 for individuals and \$4,000 for couples as proposed.

Total new MHN cases from Closures: 3

The FSD would also see an increase in MHN eligibles from the QMB/SLMB population. In SFY 2015, there was an average of 4,605 QMB persons. Of these, 4,366 live alone and 239 live with a spouse. Of those living alone, 805 would be eligible if the resource limit was increased to \$2,000 for individuals and \$4,000 for a couple as proposed. Of those living with a spouse, 59 would be eligible.

Total new MHN cases from QMB: 805 (single) +59 (married) = 864

In SFY 2015, there was an average of 11,523 SLMB persons. Of these, 9,635 live alone and 1,888 live with a spouse. Of those living alone, 951 would be eligible if the resource limit was increased to \$2,000 for individuals and \$4,000 for a couple as proposed. Of those living with a spouse, 191 would be eligible.

Total new MHN cases from SLMB: 951 (single) +191 (married) = 1,142

ASSUMPTION (continued)

The FSD anticipates an increase in applications as a result of the increased resource limits. These applications would come from a previously unknown population who currently chooses not to apply due to the current resource limits. According to U.S. Census Bureau data, 23,960 Missouri individuals, age 19 or above, have a disability.

FSD conducted an analysis of the income levels of these individuals and found 7,716 of these individuals have income between 0% and 100% of Federal Poverty Level (FPL) and 16,243 (7,716+16,243=23,960) of these individuals have income above 100% of FPL. Individuals with income less than 85% of FPL receive full MO HealthNet benefits, with no spend down. For the purpose of this calculation, FSD is using 100% due to Census data parameters. In turn, individuals with income above 100% receive MO Healthnet benefits after meeting a monthly spend down. In FY 14, FSD determined that approximately 35% of individuals in the unknown population had income up to 100% of FPL. Using the same methodology, in FY 15, 35% or 2701 (7,716 *0.35) individuals would receive full MO HealthNet benefits. FSD determined that in FY 15, 32% of individuals with income above 100% FPL met their spend down. Using that same methodology, if 32% of the unknown population with income above 100% would meet their spend down, 5,198 (16,243*0.32) individuals would receive MHN benefits after meeting spend down, if they applied and were found eligible. FSD concludes that it could be reasonably assumed that 35% of individuals with income below 100% of FPL and 25% of individuals with income above 100% FPL would apply and be eligible for MO HealthNet benefits. FSD would see an increase of 2,701 (7,716*0.35) individuals with no spend down and 1,299 (5,198*0.25) individuals with a spend down, or a total of 4,000 new MHN cases as a result of the increased resource limits in the first year.

NOTE: The 2014 Current Population Survey Annual Social and Economic Supplement (CPS ASEC) used redesigned measures of health insurance coverage. The Census Bureau completed more than a decade of research, evaluation, and consultation with outside experts to implement this approach, which is shown to improve the accuracy of the health insurance coverage measurement. Due to these changes in the measurement, there has been a significant increase identified in the uninsured disabled population compared to what was reported as 12,886 in the prior year U.S. Census Bureau data.

Total new cases from Unknown Population: 3,838

ASSUMPTION (continued)

Total new cases:

	901 (rejections)
	3 (closings)
	864 (QMB)
	1,142 (SLMB)
	<u>4,000</u> unknown population
Total:	6,910 new MHN cases

The FSD assumes existing staff will be able to complete necessary additional work as a result of this proposal.

The FSD assumes OA-ITSD will include the FAMIS programming costs for the system changes as well as the system generated notice needed to implement provisions of this bill in their response.

Therefore, there is no fiscal impact to the Family Support Division.

MHD officials provide the following:

Section 208.010

The MO HealthNet Division (MHD) expects a fiscal impact because of changes to the resource limits. Higher costs will result from one group of Medicaid eligibles who currently receive limited medical benefits but will receive full Medicaid benefits under this legislation. New eligibles are also expected to enter the Medicaid program because of the change in eligibility rules.

The Family Support Division (FSD) identified the populations. The populations that are being proposed for full medical assistance are Qualified Medicare Beneficiary (QMB) and Specified Low-Income Medicare Beneficiary (SLMB). The other population or "new" is currently not receiving Medicaid services.

There are a total of 6,910 new cases. There are 4,904 new cases (901 rejections + 3 closings + 4,000 unknown population). There are 864 QMB and 1,142 SLMB. Using FY 15 data, a split was calculated between persons with disabilities and seniors for these new cases.

ASSUMPTION (continued)

An annual cost per person was calculated for persons with disabilities and seniors using FY 15 expenditures. Using the split and annual cost per person, a total cost was calculated for persons with disabilities (\$123,016,099) and seniors (\$7,313,131) for a total cost of \$130,329,230.

With the 864 QMB and 1,142 SLMB eligibles receiving full benefits, the total cost is reduced by (\$7,355,916 amount currently spent) for a total cost of \$122,973,314.

To calculate the FY 17 costs, it is assumed there would only be 10 months of the total cost or \$102,477,761 ($\$122,973,314 * (10/12)$). A 3% inflation factor was applied to FY 18 and FY 19.

The total costs for the new cases are:

FY 17 (10 months): \$102,477,761 (GR \$22,609,873; Other \$15,073,249; \$64,794,639 Federal);
FY 18: \$126,662,513 (GR \$27,945,803; Other \$18,630,536; \$80,086,174 Federal);
FY 19: \$130,462,388 (GR \$28,784,177; Other \$19,189,452; \$82,488,759 Federal).

DSS officials are submitting the assumptions for the **Office of Administration, Information Technology Services Division (ITSD)/DSS**:

ITSD estimates programming changes to the Family Assistance Management Information System (FAMIS) will take 172.8 hours at \$75 per hour for a total of \$12,960 (\$6,480 GR; \$6,480 Federal).

Officials from the **Department of Mental Health (DMH)** state the proposed legislation increases the MO HealthNet available asset limit for persons age 65 and over and persons with disabilities to \$1,999.99 for single individuals and \$4,000.00 for married couples. The Department of Social Services (DSS) estimates this would add 8,900 new eligibles to the MO HealthNet program. The DMH estimates 342 of these currently receive community psychiatric rehabilitation (CPR) services and 100 receive substance use treatment as non-Medicaid consumers at an annual cost of approximately \$347,000. Covering these consumers under MO HealthNet would allow DMH to re-direct state funds currently used for the services to provide additional CPR and substance use treatment. There also will be additional individuals with substance use disorders, serious mental illness, or developmental disabilities (DD) who qualify due to the increased asset limit. The anticipated impact to DMH is unknown > \$100,000, costs for CPR, comprehensive substance abuse treatment and rehabilitation (CSTAR), and DD services for the additional individuals and the current DMH consumers moving to MO HealthNet are included in the DSS estimate.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Costs - DSS (§208.010)</u>			
Increase in state share of program expenditures	(\$22,609,873)	(\$27,945,803)	(\$28,784,177)
<u>Costs - OA, ITSD (§208.010)</u>			
FAMIS changes	<u>(\$6,480)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$22,616,353)</u>	<u>(\$27,945,803)</u>	<u>(\$28,784,177)</u>
OTHER STATE FUNDS (various)			
<u>Costs - DSS (§208.010)</u>			
Increase in state share of program expenditures	<u>(\$15,073,249)</u>	<u>(\$18,630,536)</u>	<u>(\$19,189,452)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS (various)	<u>(\$15,073,249)</u>	<u>(\$18,630,536)</u>	<u>(\$19,189,452)</u>
FEDERAL FUNDS			
<u>Income - DSS (§208.010)</u>			
Increase in program reimbursements	\$64,794,639	\$80,086,174	\$82,488,759
<u>Income - OA, ITSD (§208.010)</u>			
FAMIS program changes reimbursement	\$6,480	\$0	\$0
<u>Costs - DSS (§208.010)</u>			
Increase in program expenditures	(\$64,794,639)	(\$80,086,174)	(\$82,488,759)
<u>Costs - OA, ITSD (§208.010)</u>			
FAMIS program expenditures	<u>(\$6,480)</u>	<u>\$0</u>	<u>\$0</u>
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

No direct fiscal impact to small businesses would be expected as a result of this proposal.

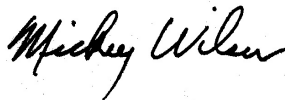
FISCAL DESCRIPTION

This bill modifies the amount of cash, securities, or other total non-exempt assets an aged or disabled participant is allowed to retain in order to qualify for MO HealthNet benefits. Currently, the limit for a single person is \$1,000 and the limit for a married couple is \$2,000. The bill increases the limit to \$2,000 for a single person and \$4,000 for a married couple.

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 Mental Health
Department of Social Services -
MO HealthNet Division



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February 11, 2016

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February 11, 2016