

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (05-19)

Subject

Initiative petition from Daniel Krehbiel regarding a proposed statutory amendment to Chapter 208 of the Revised Missouri Statutes concerning Medicaid (Version 4). (Received November 30, 2005)

Date

December 7, 2005

Description

The initiative petition would amend Chapter 208 of the Revised Missouri Statutes. The proposed statutory amendment would implement provisions of the federal Ticket to Work and Work Incentives Improvement Act of 1999 (TWWIIA). Those provisions would provide medical assistance to individuals who are employed, disabled, and meet asset and income requirements.

If an eligible individual's employer offers employer-sponsored health insurance and the Department of Social Services (DSS) determines that it is more cost effective, the individual shall participate in the employer-sponsored insurance and the DSS would pay the individual's portion of the premiums, co-payments, and any other costs associated with participation in the employer-sponsored health insurance.

Any person whose income exceeds one hundred fifty percent of the federal poverty level would have to pay a premium for participation in the medical assistance provided. This premium would be paid by electronic funds transfer or employer deduction unless good cause is shown to pay otherwise.

The DSS would apply for all grants which may be available to offset the costs associated with the implementation of this section and would not be allowed to contract for the collection of premiums.

Medical assistance would be paid for children and custodial parents with family income which does not exceed two hundred percent of the federal poverty guideline for the applicable family size. This coverage would be subject to the receipt of notification by the director of the DSS and the revisor of statutes of approval from the secretary of the U.S. Department of Health and Human Services of application for waivers of federal requirements.

Public comments and other input

The State Auditor's Office received input from the Department of Social Services (DSS), the Department of Mental Health (DMH), and the Department of Health and Senior Services (DHSS).

Assumptions

Officials from the DMH provided FY 2006 budget reductions specific to DMH; however, the DSS prepared a statewide fiscal impact statement which included Medicaid eligibility groups served by DMH.

Officials from the DHSS indicated that since the intent of the petition is to restore cuts made to the Medicaid program as a result of the passage of SB 539 and expand coverage, the DSS would provide fiscal impact on these programs and the DHSS would not provide a statement of fiscal impact.

Officials from the Department of Social Services – Division of Medical Services provided estimated costs for Medicaid services provided through the DSS, DMH, and DHSS. Section 208.146 would expand Medicaid eligibility to the individuals eligible under the federal Ticket to Work and Work Incentives Improvement Act of 1999. The cost is estimated to be \$110,200,000 annually.

Section 208.151.1(16) would expand Medicaid eligibility to custodial parents of eligible children. The cost is estimated to be \$586,284,557 annually.

Section 208.151.1(26) would expand income levels for eligibility for Old Age Assistance (OAA) and Permanent and Total Disability (PTD) eligibles. The projected annual cost to increase the income standard to 100% of Federal Poverty Level (FPL) is \$113,300,000.

Section 208.152.1(7) would add dental services for all Medicaid eligibles. The projected annual cost is \$28,400,000.

Section 208.152.1(12) would add optometric services for all Medicaid eligibles. The projected annual cost is \$3,100,000.

Section 208.152.4 would require co-payments of certain services – dental services, drugs and medicines, optometric services, eyeglasses, hearing aids, and other services. Any payment made by recipients would be in addition to and not in lieu of any payments made by the state for services. The estimated annual cost is \$22,900,000.

Section 208.162 would expand Medicaid eligibility to individuals who receive general relief benefits under section 208.015. The projected annual cost is \$14,200,000.

Total annual costs for FY 2007 are estimated at \$878,384,557 (\$526,029,139 Federal and \$352,355,418 General Revenue). However, since the program change would be

implemented in November of 2007, estimated costs for FY07 would be for eight months or \$585,589,705. Estimated costs for FY08 and FY09 would be \$917,920,733 and \$959,216,567, respectively. A 4.5% inflation for medical costs was applied to the costs for FY08 and FY09.

Officials from the DSS – Family Support Division (FSD) indicated that the proposed legislation essentially restores many of the Medicaid cuts (a.k.a. Medicaid Restoration Act) codified into law by SB 539 from the previous legislation session. In addition, it would add Medicaid coverage for custodial parents of children eligible for Medicaid coverage under section 208.151.

The General Relief population would represent a caseload increase for FSD; however, it would not warrant an increase in FTE as current staffing levels remain consistent with pre-SB 539 levels. The other populations are known to FSD and would therefore not represent an increase to its caseload(s). The custodial parents would be a new population of eligibles for Medicaid. The FSD and the Children's Division (CD) are currently managing cases on the children of these parents in section 208.151.1 which therefore precludes the need for any additional FTE.

The FSD assumes it would add back to its rolls the number of recipients who lost eligibility due to SB 539, 119,592. In addition, custodial parent(s) would qualify for Medicaid coverage. Based upon DSS-FSD estimates, 106,133 custodial parents would be added. In total, 225,725 eligibles would be added.

Modifications to the FSD and CD data systems (FAMIS, Legacy, and FACES) would be needed in order to implement this initiative. Since the FAMIS Medicaid system would not be fully operational statewide by the potential implementation date of this petition (if passed) both FSD systems, FAMIS and Legacy, would have to be modified to accept the proposed changes. The CD's system, FACES, would require system changes and new programming.

FAMIS system changes – 2,800 hours @ \$100/hour =	\$280,000
Legacy system changes – 3,750 hours @ \$ 75/hour =	281,250
FACES system changes – 960 hours @ \$ 65/hour =	62,400
FACES program changes – 480 hours @ \$ 75/hour =	<u>36,000</u>
	\$659,650

Summary of FY07 (8 months) Estimated Costs			
	General Revenue	Federal	Total
Annual costs			
Section 208.146	\$28,747,507	\$44,719,160	\$73,466,667
Section 208.151.1(16)	152,942,098	237,914,273	390,856,371
Section 208.151.1(26)	29,556,193	45,977,140	75,533,333
Section 208.152.1(7)	7,408,613	11,524,720	18,933,333
Section 208.152.1(12)	808,687	1,257,980	2,066,667
Section 208.152.4	5,973,847	9,292,820	15,266,667
Section 208.162	9,466,667		9,466,667
One time System changes	329,825	329,825	659,650
Total	\$235,233,437	\$351,015,918	\$586,249,355

Summary of FY08 Estimated Costs			
	General Revenue	Federal	Total
Annual costs			
Section 208.146	\$45,061,717	\$7,009,7284	\$115,159,001
Section 208.151.1(16)	239,740,209	372,936,022	612,676,231
Section 208.151.1(26)	46,329,333	72,069,166	118,398,499
Section 208.152.1(7)	11,613,001	18,064,998	29,677,999
Section 208.152.1(12)	1,267,617	1,971,884	3,239,501
Section 208.152.4	9,364,005	14,566,496	23,930,501
Section 208.162	14,839,001		14,839,001
Total	\$368,214,883	\$549,705,850	\$917,920,733

Fiscal Note Summary

The estimated annual fiscal impact on state government is approximately \$368 million.
The estimated fiscal impact on local government, if any, is unknown.