

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (07-20)**

Subject

Initiative petition from Robin Acree regarding an amendment to Chapter 208 of the Missouri Revised Statutes relating to healthcare. (Received November 21, 2007)

Date

December 11, 2007

Description

This proposal would add four new sections known as the "Missouri Healthcare Restoration Act" to Chapter 208 of the Missouri Revised Statutes.

The proposal is to be voted on in November, 2008.

Public comments and other input

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office/Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, **Adair County**, **Callaway County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **Jasper County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, the **City of Springfield**, the **City of Wentzville**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, the **University of Missouri**, **St. Louis Community College**.

Assumptions

Officials from the **Attorney General's Office** indicated the proposal would not directly affect their office. However, they assumed that because this proposal has the potential to be the subject of state and federal litigation, potential costs are unknown.

Officials from the **Department of Economic Development** assume no direct administrative or fiscal impact from the proposal. They also indicated that the changes could impact the general business climate of Missouri positively or negatively.

Officials from the **Department of Higher Education** indicated that this initiative would have no foreseeable direct fiscal impact on their department. They further indicated that it may have some fiscal impact on Missouri's colleges and universities.

The **Department of Health and Senior Services** indicated annual costs beginning in FY 2010 that are unknown, but greater than \$100,000, for each state and federal funds. The initiative petition expands Medicaid coverage back to the FY 2005 levels, effective August 28, 2009, and expands coverage for low-income workers and families, as well as individuals employed at sheltered workshops, effective August 28, 2011. The FY 2010 expansions would represent a significant increase in Home and Community Based services. Specifically, this would increase Medicaid coverage of individuals from 85 percent to 100 percent of the federal poverty level (FPL). Currently, individuals above 85 percent of FPL can only qualify for Medicaid services through a spenddown. With the proposed change, individuals between 85 percent and 100 percent FPL would qualify with no spenddown, with decreasing spenddowns for individuals above 100 percent. While the FY 2012 expansions related to sheltered workshops will have a less significant effect on these services, expansions related to minimum wage and 200 percent of the FPL may have a substantial effect. The federal minimum wage will be at least \$7.25 per hour by 2009, and the state minimum may be higher (due to CPI increases—see Proposition B, 2006). Currently, 100 percent FPL represents approximately \$5.00 per hour. Further, a single wage earner in a family could make up to 200 percent FPL and still qualify all members of the family for services. Any individual who qualifies for Medicaid services under these expansions who meets level of care requirements would be eligible for services through the department, which potentially could greatly expand staffing needs.

In determining the fiscal impact of this proposal, the Division of Senior and Disability Services (DSDS) has made the following assumptions.

The Department of Social Services will calculate the fiscal impact associated with determining eligibility under the new requirements, the cost of services for the new group of eligible recipients, and the cost of any administrative hearings regarding denial of eligibility.

As the above information was not available to the department during the preparation of their response, DSDS was unable to provide information on the impact on staffing that would be required to address the increased workload. Under current language in HB 10, staff would not be needed to provide initial assessments, but would instead be necessary to address processing of referrals related to assessments, perform quality assurance oversight, while maintaining adult protective services functions. If language currently in HB 10, section 10.695 is removed, DSDS staff would return to its previous functions, including provision of initial assessments. If assessments increased, due the initiative petition, additional staff would be needed.

As of June 30, 2006, caseloads for Division's Social Services Workers average approximately 174 per FTE ((46,428 In-Home + 8,805 Consumer Directed)/318.04). Pursuant to 660.021, RSMo, the Caseload Standards Advisory Committee recommended that caseloads should be no more than a recommended 80 per worker. The division would request additional staff in an effort to reduce average caseloads to at least 100 per Social Service worker.

Additionally, DSDS would assume a decrease in dual-authorized clients that receive funding for services through the department. A freeze has been in place on this program since December 2006. If eligibility is increased from 85 percent to 100 percent, then individuals between 85 percent and 100 percent of FPL would no longer be dual-authorized, and those at higher incomes would qualify with a reduced spenddown (DSDS pays for services only up to the participants spenddown).

Medicare reimbursement is based upon services for acute, short-term episodes of care. There are no services that Medicare provides that are equivalent to Medicaid Home and Community Based Services. DSDS assumes that the language in Section 208.1003 of the proposed initiative petition would have no effect on rates paid for Medicaid services provided by the division.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this proposal will have no cost to the department.

The **Department of Mental Health** indicated that restoring the FY 2006 MO HealthNet eligibility reductions would impact each group as follows:

	General Revenue Funds	Federal Funds	TOTAL
MO HealthNet Eligibility Group			
Medical Assistance for Families	\$700,321	\$1,130,107	\$1,830,428
Permanently & Totally Disabled & Old Age Assistance	\$2,102,113	\$3,392,204	\$5,494,317
Medical Assistance for Workers with Disabilities	\$8,560,382	\$13,813,888	\$22,374,270
Estimate of Shortfall in MO HealthNet	\$2,633,857	\$4,250,245	\$6,884,102

Caseload Growth			
SUBTOTAL	\$13,996,673	\$22,586,444	\$36,583,117
Less Restoration of PTD & OAA in FY 2007 (MRDD cuts over-estimated in FY 2006)	\$(5,531,279)	\$(7,372,343)	\$(12,903,622)
Less Partial Restoration of MAWD Program in FY 2008	\$(1,831,576)	\$(3,016,427)	\$(4,848,003)
TOTAL	\$6,633,818	\$12,197,674	\$18,831,492

The **Department of Corrections** indicated no impact on their agency.

The **Department of Labor and Industrial Relations** stated the proposal has no fiscal impact on their department.

The **Department of Revenue** indicated the proposal would not have a fiscal impact on their department.

The **Department of Public Safety** indicated there is no fiscal impact for the department.

The **Department of Social Services** indicated the proposal would have the following impacts:

Mo HealthNet Division

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
GR	\$0	(Unknown > \$248,204,357)	(Unknown > \$309,745,066)
Federal	\$0	(Unknown > \$416,985,553)	(Unknown > \$514,049,388)
Total	\$0	(Unknown > \$665,189,887)	(Unknown > \$823,794,454)

Division of Legal Services

	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
GR	\$0	\$0	(\$60,457)
Federal	\$0	\$0	(\$48,201)
Total	\$0	\$0	(\$108,658)

Family Support Division

	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>
GR	(\$24,030)	\$0	(\$1,322,673)
Federal	(\$24,030)	\$0	(\$1,322,673)
Total	(\$48,060)	\$0	(\$2,645,347)

Information Technology Services Division

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
GR	(\$201,697)	(\$163,530)	\$0
Federal	(\$66,773)	(\$54,720)	\$0
Total	(\$268,470)	(\$218,250)	\$0

Officials from the **Governor's Office/Office of Administration** indicated passage of this proposal should not result in additional costs or savings to their agencies. They did indicate that it will result in a significant statewide budget impact as other programs will be cut to fund provisions of the proposed amendment.

The **Missouri House of Representatives** indicated this initiative petition does not result in a fiscal impact to their agency.

The **Department of Conservation** indicated no fiscal impact would be expected to their agency as a result of proposal.

Officials from the **Office of the State Courts Administrator** indicated the proposed initiative petition should not have a fiscal impact on the judiciary.

The **Missouri Senate** indicated there would be no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2007, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.2 million to publish (an average of \$193,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this proposal will have no significant impact on their office.

Officials from the **State Treasurer's Office** indicated this proposal will not impact their office.

Officials from **Jasper County** indicated passage of this petition would have little effect on them. It could effect the amount of Medicaid reimbursement received by their Health Department. This effect would be dependent upon the number of persons using Health Department provided services under current rules and assumes no further restrictions in rules of eligibility. Jasper County receives about \$30,000 per year in Medicaid reimbursement. This amount varies from year to year. It could increase or decrease depending upon the number of Medicaid recipients using Health Department services. Officials indicated it is impossible to arrive at a dollar amount arising as a result of any changes in current law. They assume that law changes as a result of this petition would have a negligible effect on Jasper County revenues and expenses.

The **City of Jefferson** determined that no fiscal impact is anticipated.

The **City of Wentzville** determined that no additional cost or savings is expected for the city as a result of the proposed changes.

Officials from **Linn State Technical College** indicated that there appears to be no fiscal impact for their organization as a result of this initiative petition.

Officials from **Metropolitan Community College** indicated the amendment would have no direct fiscal impact on their organization.

Officials from the **University of Missouri** indicated that they are unable to estimate the fiscal impact of the initiative petition.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Natural Resources**, the **Department of Transportation**, **Adair County**, **Callaway County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County**, **St. Charles County**, **St. Louis County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, the **City of Springfield**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Rockwood R-VI School District**, **St. Louis Community College**.

Fiscal Note Summary

The exact cost of this proposal to state governmental entities is unknown, but not less than an estimated \$255 million annually. It is estimated the proposal would have little or no costs or savings to local governmental entities.