

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 3** HLS 181ES 65
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.: **w/ PROP HSE COMM AMD**
 Sub. Bill For.:

Date: February 25, 2018 11:06 AM	Author: HOFFMANN
Dept./Agy.: LDH/Medicaid	Analyst: Shawn Hotstream
Subject: Community Engagement	

MEDICAID OR SEE FISC NOTE GF EX Page 1 of 2
 Provides for a work and community engagement initiative within the Medicaid program (Item #13)

Proposed law requires certain individuals (able bodied adults without dependents) to comply with minimum work and community engagement activities (as defined by the secretary) as a condition of Medicaid eligibility. One or more of the following criteria must be met; 1) work participation minimums defined by the secretary 2) is participating in/complying with requirements of a work readiness program 3) is participating in an approved educational activity/program, 4) is volunteering, or 5) career planning. Proposed law provides exemptions may include the following; populations with extenuating circumstances, individuals with health related barriers, parent/caretaker of a dependent child under the age public school eligibility, parent/caretaker providing care for a dependent, or individuals with health related barriers. Proposed law requires the secretary to prepare and submit to CMS a section 1115 waiver application providing for a community engagement program.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

The net impact of implementing a work/community engagement requirement as a condition of Medicaid eligibility for certain adult Medicaid beneficiaries is indeterminable, as the proposed legislation is not specific on the populations that are subject to participate, the minimum number of work/engagement hours required to be maintained, and how frequent the department would verify compliance of the requirement under the waiver. However, there are both costs and savings elements projected over the course of the demonstration waiver project. **Amendments to the original bill appear to add more 'support' costs than provided for in the original version of the bill, by assuring transportation and child care assistance if necessary to individuals subject to the requirements. However, amendments also appear to allow for more individuals to be exempt from the work/engagement requirement, which could reduce the 376,000 estimated to be subject to the program under the original version of the bill.** Ultimately, exemptions will specifically be defined by the LDH secretary. Examples of new exemptions with the proposed amendments include the following: age (where previously assumed from 19-64, the age group is undefined), individuals with health related barriers to employment, and populations with extenuating circumstances (defined by the secretary). In addition, the secretary will define the minimum work/engagement standards (not necessarily 20 hours a week). Minimum standards are not specifically outlined in the bill.

Cost: Ultimately, program design (largely determined by the secretary) will dictate actual cost. However, the demonstration program is anticipated to result in up front IT system development costs in Medicaid in FY 19 and/or FY 20 (depending on the time frame of waiver approval), and ongoing costs related to outreach/communication, compliance verification and technology maintenance. LDH **originally projected** approximately \$80 M in one time costs, and approximately \$15 M in recurring annual costs to implement a community engagement program. Up front costs will likely receive enhanced federal match. LDH's costs projections are generally based on Kentucky's community engagement model, and includes the following elements: One time costs - (\$65 M for system build, \$13.9 M for call center costs, \$1.1 M for mail notifications, \$500 K for waiver application costs). Recurring costs - (\$7.8 M annual system maintenance, \$2.1 M inbound and outbound call center costs, \$1.9 M Case verification contract, \$2.7 M payments to Medicaid Application Center for enrolling eligibles in work program, \$532 K for waiver staff and actuary). Note: Call center in bound and out bound costs are based on 23 cents per call charged by the statewide call center.

Information provided by LDH sent from Kentucky's contractor (Deloitte) indicates up front costs of \$65 M to build out Kentucky's community engagement system (matched at 90%). However, Deloitte further indicated states may utilize more limited technology approaches or services than Kentucky to achieve community engagement programs with less project costs. Continued page 2

REVENUE EXPLANATION

To the extent expansion enrollment decreases, statutory dedication revenue collections generated through the insurance premium tax would be reduced. The premium tax rate is 5.5% of health insurance premiums.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
Evan Brasseaux
Staff Director

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 3** HLS 181ES 65
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.: **w/ PROP HSE COMM AMD**
Sub. Bill For.:

Date: February 25, 2018 11:06 AM **Author:** HOFFMANN
Dept./Agy.: LDH/Medicaid **Analyst:** Shawn Hotstream
Subject: Community Engagement

CONTINUED EXPLANATION from page one:

Note: To the extent enrollment decreases as a result of not meeting the work requirement, there would be an increase in the number of uninsured. Although uncompensated care costs could increase at some facilities, it is indeterminable if an increase in the number of uninsured would result in an increase in Disproportionate Share Hospital payments.

Savings: Note: To the extent individuals do not comply with the work/community engagement requirements or become employed with earnings in excess of 138% of the federal poverty level, it is assumed the Medicaid program would realize savings due to Medicaid eligibility suspension or termination. Based on current costs for this population, savings would be approximately \$509.90 per member per month (\$6,118 annual impact per individual). Information provided by the Louisiana Department of Health indicates approximately 376,000 Medicaid expansion enrollees will be subject to the work requirement (of the 475,000 currently enrolled). **Proposed amendments could further reduced those originally estimated to be subject to the program.**

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
Evan Brasseaux
Staff Director