

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 3** HLS 181ES 65  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.: **REVISED**

<b>Date:</b> February 26, 2018 10:45 AM	<b>Author:</b> HOFFMANN
<b>Dept./Agy.:</b> LDH/Medicaid	<b>Analyst:</b> Shawn Hotstream
<b>Subject:</b> Community Engagement	

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

Proposed law requires the secretary to submit a **plan** to the House and Senate health and welfare committees outlining a work and community engagement initiative in the Medicaid program for certain Medicaid enrollees. The plan **may** include submission of 1115 waiver to implement, may incorporate a workforce development component, or identify alignment opportunities with current work promotion programs in place for the Supplemental Nutrition Assistance Program. Work activities required by the work and community engagement initiative **may include** full or part time employment, career planning, job training, or referral and job support services; community engagement activities **may include** volunteer work, community services, and education. Proposed law provides that the secretary shall establish the minimum participation standards (required hours of work/engagement). Proposed law provides that certain populations **may be exempt from the program**, including any individual who is a primary caregiver of a dependent child who is under the age of public school eligibility, individuals with health-related barriers to employment, or other persons or populations with extenuating circumstances as determined by the secretary. Proposed law provides requires the initiative to include procedures that allow for an assessment of beneficiaries abilities and barriers to employment to identify appropriate services/supports to participate in in the initiative, including child care assistance, transportation, other work supports, and work supports for individuals in regions with limited employment opportunities. Proposed law provides that implementation of the initiative will be subject to appropriation of funds.

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

<b>REVENUES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>5 -YEAR TOTAL</b>
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<b>Annual Total</b>						

**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 a community engagement/work plan. Specifically, the secretary has broad authority on which populations will be 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 (if at all), and what support services will be provided to assist individuals. There are both costs and savings elements projected as a result of implementing an initiative, however the extent of the impact will ultimately depend on the scope and design of the initiative/program.

**Cost: Before implementation, a plan must be reviewed and approved by both the House and Senate Health and Welfare Committees. An approved plan would then require an appropriation through JLCB or during the budget process (based on implementation date). The bill further requires the secretary to implement an approved plan in the most cost effective manner. Ultimately, program design will dictate actual cost.** The initiative 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 implementation), and ongoing costs related to outreach/communication, compliance verification, support related costs (transportation, child care, job training/assistance), and technology maintenance. LDH has indicated a range of costs associated with implementation, depending on the model implemented. Furthermore, proposed legislation authorizes the department to implement other states' models (in part or entirely). Information provided by LDH indicates significant costs associated with implementing the Kentucky work requirement model (project \$80 M in up front cost and \$15 M in recurring annual cost), however significantly less costs associated with Montana's Help-link job assistance program. Additionally, 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.

**Savings:** Proposed legislation does not appear to tie participation in the work initiative to maintaining eligibility benefits. Failure to participate is not a condition of eligibility. However, to the extent individuals 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 average costs for this population, savings would be approximately \$509.90 per member per month (\$6,118 annual impact per individual).

**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*  
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 Staff Director

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CONTINUED EXPLANATION from page one:

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