

Department of Planning and Budget 2014 Fiscal Impact Statement

1. Bill Number: SB 297

House of Origin	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Watkins

3. Committee: Rehabilitation and Social Services

4. Title: Work search requirement for Medicaid enrollees

5. Summary: The bill, as amended, requires the Department of Medical Assistance Services (DMAS) to apply for a waiver of certain Medicaid program requirements to establish a work search requirement for newly eligible working-age unemployed enrollees. Furthermore, it requires DMAS to report on its progress to the Governor and the General Assembly by December 1, 2014.

6. Budget Amendment Necessary: Unknown, because the bill requires certain conditions to be met before any waiver is requested and the fiscal impact estimates below are contingent on the waiver being approved by the federal government. If the conditions are met, then a budget amendment would be necessary.

7. Fiscal Impact Estimates: Preliminary, see Item 8.

8. Fiscal Implications: The bill, assuming the contingencies are met, would have a significant fiscal impact on the Commonwealth in order to implement. The Department of Social Services (DSS) is estimated to have a \$40.2 million state impact (the exact state/federal share is uncertain) each year due to the additional workload on local eligibility workers to implement the work search requirement. In addition, the Department of Medical Assistance Services (DMAS) would likely incur higher costs for indigent care for individuals who would otherwise qualify for Medicaid but are made ineligible due to the work search requirement. DMAS estimates these additional costs to be \$1.4 million GF in FY 2015 and \$2.2 million GF in FY 2016.

The legislation would require DMAS to request a waiver from the federal Centers for Medicare and Medicaid Services (CMS) to allow a work search requirement if there were an expansion of Medicaid in Virginia under the federal Affordable Care Act (ACA). Any fiscal impact estimate is contingent on Virginia expanding coverage to all adults with incomes up to 133 percent of the federal poverty level and the approval by CMS of the waiver as described in the legislation. As this point, the Medicaid expansion has not been approved by the Medicaid Innovation and Reform Commission as authorized in the 2013 Appropriation Act. In addition, CMS has not approved a waiver from any state to require Medicaid enrollees to participate in work search as a condition of eligibility for health care coverage

under Medicaid. This fiscal impact statement also assumes the work search requirement would be applicable to all potentially newly eligible individuals and there are no exemptions for certain individuals such as the disabled or the current population enrolled in the Breast and Cervical Cancer eligibility group. It is also assumed that inpatient hospital care for incarcerated individuals would continue and that such individuals would not be subject to the work search requirement.

Department of Social Services Impact

If the contingencies in the bill are met and the waiver is approved, then the bill would increase local staffing costs when the work search requirement is implemented. To assess the fiscal impact of this bill, the Department of Social Services (DSS) examined the additional amount of time that would be needed for local workers to assess, refer, and monitor newly eligible Medicaid recipients for the work program requirement.

Local departments are reimbursed by the state based on the actual cost of delivering required services. These costs are then allocated to the appropriate source of funding (i.e. general, federal, etc). There is no information available to determine how the increased costs associated with this bill will be distributed across local departments of social services. However, it is necessary to acknowledge the impact of any additional responsibilities being placed on local departments and workers. While a specific local impact of a single bill may seem insignificant, this statement accounts for all added costs as the cumulative effect of many requirements on local departments, which cannot be overlooked. Therefore, this statement uses the assumptions shown below, as to the added time required to meet the bill's provisions, and historical workload data to estimate the fiscal implications at the state level. This statewide estimate of increased costs would be allocated to localities.

DSS assumes that the Medicaid work search requirement process would be similar to that of the Supplemental Nutrition Assistance Program - Employment and Training Services (SNAPET). Based on Hornsby-Zeller workload statistics, a local eligibility worker spends 7.1 hours annually referring, assessing, and monitoring each SNAPET participant. According to DMAS, in FY 2013 there were 222,872 Medicaid enrollees who were not children, disabled, or elderly. Furthermore, DMAS predicts approximately 250,000 Virginians to become newly eligible and able to enroll in Medicaid under expansion. Of that expanded population, 248,911 or 97 percent of the enrollees would likely be subject to a work requirement for a total affected population of 471,783 (222,872 + 248,911) individuals.

DMAS estimates that approximately 30 percent or 141,535 ($471,783 \times .30$) eligible Medicaid enrollees would qualify for work assistance. At 7.1 hours per eligible enrollee, the workload for local employees would increase by 1,147,788 hours per year ($141,535 \times 7.1$ hours).

The average annual cost of employing (salary, benefits, nonpersonal services, etc.) a local eligibility worker is \$70,946. Local governments are required to cover 15.5 percent of these expenses, so the state share of the estimated local worker cost would be \$59,949. Assuming 1,500 annual productive hours per full-time employee, the state reimburses localities \$39.97 per hour for local eligibility workers. Therefore, the state cost of requiring 1,147,788 additional hours of work would be \$40,161,989 each year. The statewide local share would be \$7,366,992 for a total cost of \$47,528,981. This equates to a cost of \$336 per client. In comparison, the corresponding cost for SNAPET is approximately \$575 per client.

Currently, work requirements are not federal conditions for Medicaid eligibility; however assuming that CMS approves the federal waiver, federal funding may be available to fund a portion of the local DSS staff costs. However, since no such waiver has ever been approved by CMS, the federal share is uncertain. If federal funding is available then 50 percent of the costs would be covered by the federal government. Some Medicaid eligibility expenses could be reimbursed at an even higher federal match, but without federal guidance higher match rates cannot be assumed at this time. Therefore, with a federal funding source uncertain for the work search program, it is possible that general fund support would be necessary for the entire cost.

Department of Medical Assistance Services

If Virginia expands coverage under the ACA and the waiver is approved by CMS, the waiver will have an immediate administrative impact as DMAS would need to develop policy, procedures and systems support to identify individuals and track compliance with the work search requirements. DMAS, or DSS, will also need to develop methods for imposing penalties for individuals who do not comply with the requirements and staffing to handle tracking of compliance and imposing penalties. In addition, implementation of this requirement has the potential to increase the numbers of appeals filed.

In addition to the systems and policy changes, there would be a fiscal impact to the state as the legislation would cause a reduction in the number of individuals who would enroll under an Affordable Care Act expansion. DMAS estimates 30 percent of the potential expansion population would require compliance with work search requirements. Of those, a small percentage (five percent) is assumed to not comply with the work search requirements and be denied coverage. In the early years of an ACA expansion, this would result in a GF cost to the state as these non-covered individuals would still require indigent care paid at a 50 percent split between state and federal funds and behavioral health services provided through local Community Service Boards paid with 100 percent state funds. Had the individuals been able to enroll in Medicaid, their ACA coverage of those services would have been paid with 100 percent federal funds. After FY 2019, the federal share of ACA coverage costs drops to 90 percent federal funds with a 10 percent state match. The estimates provided by

DMAS are based on their model of the ACA costs and savings from an optional Medicaid expansion.

DMAS Projected Expenditure Impact

Fiscal Year	General Fund	Federal Funds
2015	\$1,420,856	(\$12,573,814)
2016	\$2,214,203	(\$23,924,359)
2017	\$1,648,457	(\$24,992,774)
2018	\$866,333	(\$25,536,242)
2019	\$866,333	(\$26,674,036)
2020	(\$11,790)	(\$27,535,462)

9. Specific Agency or Political Subdivisions Affected: Department of Social Services and the Department of Medical Assistance Services.

10. Technical Amendment Necessary: No.

11. Other Comments: None.