Department of Planning and Budget
2016 Fiscal Impact Statement

1. **Bill Number:** SB 775

House of Origin	☒ Introduced	☐ Substitute	☐ Engrossed
Second House	☐ In Committee	☐ Substitute	☐ Enrolled

2. **Patron:** Dunnavant, Siobhan S.

3. **Committee:** Education and Health

4. **Title:** DMAS; Medicaid eligibility and application

5. **Summary:** The proposed legislation directs the Department of Medical Assistance Services (DMAS) to require Medicaid eligibility workers to (i) apply the same protocols when verifying income for all Medicaid applicants and recipients whose assets are subject to an asset limit under Medicaid eligibility requirements, including those applicants and recipients who report no earned or unearned income, and (ii) search for unreported assets using all available sources of electronic data, including local real estate property databases, the Department of Motor Vehicles, and Virginia's asset verification system. The bill also requires DMAS to amend the Virginia Medicaid application, after obtaining approval from the Centers for Medicare and Medicaid Services, to require a Medicaid applicant to opt out if such applicant does not want to grant permission to the state to use his federal tax returns for the purposes of renewing eligibility.

6. **Budget Amendment Necessary**: Yes

7. **Fiscal Impact Estimates:** Preliminary

   Expenditure Impact:

Fiscal Year	Dollars	Positions	Fund
2016	-	-	-
2017	$651,879	-	General
	$5,201,678		Federal
2018	$157,002	-	General
	$1,239,489		Federal
2019	$157,002	-	General
	$1,239,489		Federal
2020	$157,002	-	General
	$1,239,489		Federal
2021	$157,002	-	General
	$1,239,489		Federal
2022	$157,002	-	General
	$1,239,489		Federal

8. **Fiscal Implications:** The proposed legislation requires the Department of Medical Assistance Services (DMAS) to expand the process for verifying income for all Medicaid

applicants. Under current state policies, local department of social services eligibility workers only verify income for those Medicaid applicants who report having some income. However, under this bill income would be verified for all applicants including those who report no earned or unearned income.

Systems Changes
Based on the bill's requirement to apply the same protocols when verifying income for all applicants and recipients, it is assumed that individuals who report no income be verified through the Commonwealth's case management system (VaCMS). Therefore, implementing this legislation would require system changes to the VaCMS as well as the CommonHelp online portal. VaCMS would need additional verification requirements for zero income Medicaid applicants and the Medicaid application in CommonHelp would have to be modified to accommodate any new language on the application. These changes are estimated to cost approximately $500,000 ($50,000 general fund and $450,000 federal funds) in FY 2017 to accommodate the requirements of this legislation. It is assumed that the system modifications would occur in by the end of FY 2017 and income checked would be automated in FY 2018 and beyond.

Local Departments of Social Services
Until the required system changes are implemented, as outline above, it is assumed local department of social services workers would be required to conduct a more labor intensive manual review of no income applications.

Based on a 2015 Joint Legislative Audit and Review Committee (JLARC) study of Medicaid eligibility determination in Virginia, there are an estimated 408,910 Medicaid applications processed annually. Along with the approximately 600,000 annual Medicaid renewals, an estimated total of 1,008,910 applications and renewals are processed each year. The JLARC study stated that 30 percent of all Medicaid applicants report zero income; therefore the department estimates 302,673 (0.30 x 1,008,910) of the total applications and renewals will also report no earned or unearned income. The Department of Social Services (DSS) maintains that it takes 15 more minutes for an eligibility worker to manually process an application that includes income than it does to currently process an application that reports no income. That equates to approximately 75,668 (0.25 hours x 302,673) hours of required processing time annually for no income applications. Based on average local staffing standards and costs, the agency estimates that $444,877 general fund, $3,512,189 federal funds, and $725,852 local funds will be required in FY 2017 to cover the added workload until such time as system changes are implemented.

Real Estate Property Database Access
This bill further requires local workers to modify their income verification processes and search for unreported assets using all available sources of electronic data, including local real estate databases. To accomplish this, each of the current and new local eligibility workers and supervisors (approximately 3,166 state reimbursed and 58 locally funded only) would require access to a real estate database provided by a third party vendor if available. The department assumes that the access costs for a web-based, third party vendor would be approximately $522 per worker per year for an expense of $1,652,652 ($522 x 3,166)

comprised of $157,002 general fund, $1,239,489 federal funds, and $256,161 local match funds. It is also estimated that localities would spend an additional $30,276 annually ($522 x 58) for the 100 percent locally funded positions.

Cost Savings/Avoidance
The Department of Medical Assistance Services maintains that while some of the requirements of this bill may prevent applicants with too much income or assets from being found eligible for Medicaid; and thereby result in savings over time, it is not possible at this time to determine the amount of such savings.

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

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 2/3/16