

Department of Planning and Budget

2003 Fiscal Impact Statement

1. Bill Number HB1822

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

2. Patron Morgan

3. Committee Health, Welfare & Institutions

4. Title Medicaid-Buy-In.

5. Summary/Purpose:

This bill requires the Board of Medical Assistance Services to include in the State Plan for Medical Assistance Services a provision to implement one of the options for a Medicaid Buy-In program pursuant to Section 4733 of the Balanced Budget Act of 1997 or the Ticket to Work and Work Incentives Improvement Act of 1999, as soon as practicable and cost effective. The option must be designed to provide working persons with disabilities, who, because of their higher earnings, were not eligible for medical assistance services in Virginia, with access to coverage under the Virginia Medical Assistance Services program.

The provision for a Medicaid Buy-In must provide such working persons with disabilities access to this comprehensive health care when they meet the Board's established income and resource or other eligibility criteria and upon payment of a premium to participate in the Virginia Medicaid program. The Board's Medicaid Buy-In provision may consist of a time-limited demonstration project or such other option as the Board shall determine to be appropriate for the purposes of removing barriers to work and providing comprehensive health coverage for disabled persons while assuring the fiscal integrity of the Commonwealth's medical assistance services program.

The Board's Medicaid Buy-In provision must establish income eligibility, asset and resource limitations, premium payments, age eligibility, criteria for determining the level of disability required for participation, and, if feasible, criteria for providing continued participation upon medical improvement. The Board may develop a Medicaid Buy-In option, pursuant to this subdivision, during the implementation of Virginia's federal Medicaid Infrastructure Grants awarded on January 1, 2002, for the development of infrastructure, in the form of improvements in the Commonwealth's Medicaid program, to support employment of disabled persons or at such other time as, in the Board's opinion, may be more appropriate.

6. Fiscal Impact Estimates are: Preliminary

6a. Expenditure Impact: (see Section 8)

Item 322, Subprogram 47901

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	\$0	0.0	GF
2002-03	\$0	0.0	NGF

2003-04	\$133,887	2.0	GF
2003-04	\$133,887	2.0	NGF
2004-05	\$111,850	2.0	GF
2004-05	\$111,850	2.0	NGF

Item322,Subprogram47902

<i>FiscalYear</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	\$0	0.0	GF
2002-03	\$0	0.0	NGF
2003-04	\$9,054	0.0	GF
2003-04	\$27,162	0.0	NGF
2004-05	\$19,919	0.0	GF
2004-05	\$59,756	0.0	NGF

Item325,Subprogram45609

<i>FiscalYear</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	\$0	0.0	GF
2002-03	\$0	0.0	NGF
2003-04	\$5,289,364	0.0	GF
2003-04	\$5,289,364	0.0	NGF
2004-05	\$12,874,652	0.0	GF
2004-05	\$12,874,652	0.0	NGF

TotalDepartmentofMedicalAssistanceServices

<i>FiscalYear</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	\$0	0.0	GF
2002-03	\$0	0.0	NGF
2003-04	\$5,432,305	2.0	GF
2003-04	\$5,450,413	2.0	NGF
2004-05	\$13,006,421	2.0	GF
2004-05	\$13,046,258	2.0	NGF

6b. RevenueImpact: (SeeSection8)

7. Budgetamendmentnecessary: Item322,Subprograms47901and47902;andItem325, Subprogram45609.

8. Fiscalimplications:

Thisbillwouldamendthe *CodeofVirginia* toincludetheproposedMedicaidBuy -In programintheStateMedicaidPlan.Medicaidisanentitlementprogramandcoverageunder theMedicaidBuy -Inprogramwouldbeavailabletoallthatapplyandarefoundeligi ble.A reportontheMedicaidBuy -InProjecttotheDisabilityCommission,datedOctober30,2002,

gave several options the Commonwealth could consider pursuing. Four of those options are displayed in the table below.

	Option1	Option2	Option3*	Option4
Unearned income limit	81.2% FPL	94.7% FPL	108.3% FPL	No unearned income limit
SSDI Beneficiaries	\$500-\$599	\$600-\$699	\$700-\$799	>\$999
Disabled SSDI Recipients in Virginia	17,610	17,865	14,803	31,902
Projected new Medicaid Participants	1,391	2,820	4,004	5,261
Cost GF per Participant	\$4,315	\$4,315	\$4,315	\$4,315
Estimated Medicaid GF Expense	\$3,988,052	\$8,085,052	\$11,479,627	\$15,083,494

Notes: *Agency fiscal impact estimates reflect Option 3.

Administrative and Support Services

The Department of Medical Assistance Services (DMAS) would incur additional claims processing costs resulting from the additional claims for the new participants. The claims processing charges from the fiscal agent are \$.3618 per claim. For determining the fiscal impact of this bill, DMAS chose to use Option 3 because it reflected a midway point of the options presented to the commission. By multiplying the estimated new enrollment (4,004) by the average number of claims DMAS pays for SSDI recipients per year (50) times the current processing charge per claim, the agency estimates claims processing costs of \$72,432 (\$18,108 GF) in FY 2004 and \$79,675 (\$19,919 GF) in FY 2005, which reflects a 10 percent increase.

However, due to the complexities of this program and the need to modify the new Medicaid Management Information System (MMIS), the agency does not believe that this program could be implemented before January 1, 2004. Therefore, the estimated 2004 claims processing costs are reduced by 50 percent or \$36,216 (\$9,054 GF) to reflect a January 1 implementation date.

This bill requires that a premium payment be collected from each recipient. DMAS maintains that its current staffing level will not permit the easy absorption of this requirement and other reporting requirements. It estimates that four additional full-time staff (two Band 3, Administrative Office Specialist IIIs, one Band 4, Financial Services Specialist I, and one Band 5, Financial Services Manager I) as well as a part-time (P14) position would be needed to implement the requirements of this bill. The cost associated with the additional staff members is \$223,700 (\$111,850 GF) per year. Although, for FY 2004, the cost estimate reflects the staff being in place for 3/4 of the year.

The Medicaid Management Information System (MMIS) will have to be adjusted to accommodate this new covered group. However, the agency does not estimate a fiscal impact at this time, given what it knows about the requirements for a systems change. Although, if the

changes to the MMIS end up being more complicated than currently expected, additional support may be needed. While the MMIS may not need to be adjusted, the agency's Oracle Governmental Financial System would. DMAS estimates that the adjustment would require a one-time charge of \$100,000 (\$50,000 GF) in FY 2004.

In addition, the Department of Social Services (DSS) would be responsible for establishing eligibility for the program once the parameters of the eligibility have been defined. The Department of Rehabilitative Services (DRS) would be responsible for determining the disability status of the participating individuals. At this time, it is difficult to determine what, if any, fiscal impact this bill would have on these two agencies.

Medical Assistance Services (Medicaid)

While determining the fiscal impact of this bill, DMAS found that it was difficult to estimate exactly how many working persons with disabilities would participate in this program. This is because there is no limit on participants. However, in order to make an estimate, the agency used the 4,004 individuals projected to receive Medicaid benefits in Option 3 of the table.

The projected new Medicaid recipients reflect the estimated number of disabled Social Security Disability Insurance (SSDI) recipients whose monthly income is below \$800 (14,803) multiplied by 8 percent (the proportion of estimated employed SSDI recipients) and added to the previous new Medicaid participants from Option 2 (2,820). This is because the projected number of new Medicaid recipients builds from the previous option to reflect everyone under 108.3 percent of the Federal Poverty Level (FPL).

The agency estimates the total cost per recipient in Option 3 to be \$8,630 (\$4,315 GF). This estimated cost per recipient reflects the FY 2002 Medicaid utilization costs increased by 20 percent for inflation. Multiplying the Option 3 cost per participant by the estimated number of new Medicaid participants results in an estimated FY 2004 cost of \$34,554,520 (\$17,232,339 GF). However, DMAS believes that recipients would be phased into the program throughout the first year. Therefore, the agency believes that the FY 2004 cost would be \$22,959,254 (\$11,479,627 GF). This estimate assumes that the program would begin on July 1, 2003 as required by the bill.

Again, due to the complexities of this program and the need to adjust the agency's MMIS, the agency does not expect an implementation date earlier than January 1, 2004. Assuming a half year's cost for FY 2004 reduces the estimate to \$11,479,627 (\$5,739,814 GF). DMAS expects that utilization and costs associated with this program will increase as awareness of the program grows. Therefore, the FY 2005 estimated cost reflects a 20 percent increase over the FY 2004 full-year cost of \$27,551,105 (\$13,775,552 GF).

Revenue

A portion of the estimated expenditures could be offset by revenue collected as premium payments. The amount of the monthly premium payment would have to be determined. However, it could range from \$25 to \$50 or even higher, depending on the established qualifications. DMAS estimates that if 4,004 recipients paid monthly premiums of \$37.50 (average of range), the resulting revenue for a full year could be \$1,801,800 (\$900,900 GF). In the case of FY 2004, half of that amount could result.

The agency has selected to net the amounts against the estimated expenditures to reduce the expenditure impact. Therefore, the estimated expenditures for Item 325, Subprogram 45609 reflect that netting of revenue and expenditures.

9. Specific agency or political subdivisions affected: DMAS, DSS, and DRS

10. Technical amendment necessary: No

11. Other comments: None

Date: 01/15/03/sas

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cc: Secretary of Health and Human Resources