

Department of Planning and Budget 2003 Fiscal Impact Statement

1. Bill Number HB1822

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

2. Patron Morgan

3. Committee Finance

4. Title Medicaid-Buy-In.

5. Summary/Purpose:

This amendment in the nature of a substitute requires the Department of Medical Assistance Services (DMAS) to prepare and seek approval of a Section 1115 waiver application 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. The applications should be designed to be cost effective, with enrollment limited in the first year at 200 individuals. In addition, DMAS will seek authorization in the waiver for earned and unearned income requirements.

Eligible individuals will include those with income not in excess of 175 percent of the Federal Poverty Level (FPL). The waiver proposal is to be submitted to the Centers for Medicare and Medicaid Services (CMS) by October 1, 2003. By October 15, the proposal should be submitted to both the Governor and the Disability Commission so that its fiscal impact can be considered during the development of the 2004 - 2006 biennium budget.

6. Fiscal Impact Estimates are: Final

6a. Expenditure Impact: (see Section 8)

6b. Revenue Impact: (See Section 8)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill in its current form only requires that DMAS seek a waiver from CMS. In fact, a Medicaid Buy-In program cannot be implemented until approval of the waiver has been received from CMS and funds have been appropriated. There is no fiscal impact during the current biennium. While this bill only refers to the "first year of such program," the following estimates are based on the assumption that 200 individuals would be enrolled in the first year of the 2004 - 2006 biennium. These estimates reflect DMAS' prior experience with the implementation of the Developmentally Disabled (DD) Waiver.

Administrative and Support Services

Implementation of a Medicaid Buy-In program would result in additional claims. Currently, claims processing charges from the fiscal agent are \$.3618 per claim. Multiplying the estimated first-year enrollment (200) by the average number of claims DMAS pays for SSDI recipients per year (50) times the current processing charge per claim yields estimated claims processing costs of \$3,618 (\$905 GF) per year as long as the enrollment remains at 200.

The agency estimates that it could need up to three positions, one fiscal and two program operations, at a cost of \$162,500 (\$81,250 GF) per year. The fiscal accounts receivable position would be responsible for collecting the monthly premiums from the participating recipients. Currently, DMAS has three positions dedicated to the oversight of the DD Waiver, which has an enrollment of 323. This oversight includes: interacting with recipients, providers, and advocacy groups, establishing reporting and computer tracking systems, and developing policy manuals and regulations. Given the specifics of the DD Waiver program, the program operations staff is also responsible for making home visits, prior authorizing services, and functioning as case managers.

If the Commonwealth decides to implement a Medicaid Buy-In program, DMAS does not believe that its scope of service would be as extensive as the DD Waiver program. Therefore, the agency feels that two program operations positions would be the most it would need to make the waiver program operational. The agency's position is that by developing the program appropriately at the outset, any additional enrollment and future changes could be efficiently managed.

The Medicaid Management Information System (MMIS) would also have to be adjusted to accommodate this new covered group. At this time the agency does not estimate a fiscal impact. However, if the changes to the MMIS end up being more complicated than currently expected, additional support may be needed. However, DMAS' Oracle Government Financial System would have to be modified to accommodate the process of classifying and reporting checks for a Medicaid Buy-In program. A new accounts receivable category would need to be established to ensure that the agency collects the premiums in a timely fashion each month. These tasks would require modifications to the Accounts Receivable and General Ledger modules of the system. These Oracle modifications would require a one-time expense of \$100,000 (\$50,000 GF).

Medical Assistance Services (Medicaid)

The agency estimates that the average annual cost per recipient is \$8,630 (\$4,315 GF). DMAS arrived at this estimate by reviewing the FY 2002 Medicaid utilization and inflation costs and factoring in 20 percent for inflation. Therefore, if the Commonwealth implements a Medicaid Buy-In program with an enrollment of 200, DMAS estimates that it would cost approximately \$1,726,000 (\$863,000 GF) per year.

The intention of this waiver is to allow disabled individuals to stay in the workforce without losing Medicaid benefits. Currently, disabled Medicaid recipients may be faced with a choice of either re-entering the workforce and losing Medicaid benefits or not re-entering the workforce and continuing to receive the benefits. To the extent that this waiver acts as an incentive for current Medicaid enrollees who may have otherwise not entered the workforce to seek employment opportunities, these estimated medical costs do not represent new medical costs. However, DMAS cannot limit the waiver to only those individuals who are currently on

Medicaid and how would I like to return to work. According to DMAS, the majority of states that have implemented a Medicaid Buy-In program have discovered that at least 60 percent of Medicaid Buy-In enrollees had Medicaid for at least 30 days in the previous 12 months.

Revenue

The amount of the monthly premium payment remains to be determined. However, it could range from \$25 to \$50 or even higher, depending on the established qualifications. Assuming 200 recipients paid monthly premiums of \$37.50 (average of range), the resulting revenue for a full-year could be \$90,000 (\$45,000 GF). More than likely, the agency would elect to net the annual collected revenue against the estimated Medicaid expenditures to reduce the fiscal impact.

Departments of Social Services and Rehabilitative Services

The Department of Social Services (DSS) would be responsible for establishing eligibility for the Medicaid Buy-In 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. Given the small number of individuals participating in this program, the fiscal impact to these agencies is minimal and should be easily absorbed.

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

10. Technical amendment necessary: No

11. Other comments: None

Date: 02/21/03/sas

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cc: Secretary of Health and Human Resources