

Department of Planning and Budget

2014 Fiscal Impact Statement

1. Bill Number: HB 894

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

2. Patron: Peace

3. Committee: Appropriations

4. Title: Expands eligibility for auxiliary grants

5. Summary: The bill expands eligibility for the auxiliary grant program to include individuals who reside in supportive housing. It also requires the Commissioner for Aging and Rehabilitative Services to promulgate regulations to include: (1) a process for registering and revoking registrations of service providers; (2) requirements for services to be provided to auxiliary grant recipients; (3) reporting requirements for providers; (4) outcome measures for services provided to auxiliary grant recipients; (5) procedures for calculating auxiliary grant rates; (6) requirement for a uniform assessment of all auxiliary grant recipients and preparation of an individual service plan; and (7) provisions for the protection of the rights of auxiliary grant recipients. Furthermore, the bill requires that the Commissioner of the Aging and Rehabilitative Services promulgate regulations for the licensure of auxiliary grant service coordination providers for individuals with blindness or physical disabilities and directs the Department of Behavioral Health and Developmental Services to promulgate regulations for the licensure of auxiliary grant service coordination providers for individuals with mental illness or intellectual disabilities.

6. Budget Amendment Necessary: Yes, Items 301, 305, 330 and 338.

7. Fiscal Impact Estimates: Preliminary.

Expenditure Impact:*

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2014	-	-	-
2015	\$254,744	3.0	General
2016	\$4,456,466	3.0	General
2017	\$8,658,187	3.0	General
2018	\$8,658,187	3.0	General
2019	\$8,658,187	3.0	General
2020	\$8,658,187	3.0	General

* These estimates do not include Medicaid costs due to lack of good data. However, if say 50 percent of the new AG clients become eligible for Medicaid, the state would incur \$7.4 million GF in additional costs per year; so the potential Medicaid impact is significant from this bill.

- 8. Fiscal Implications:** The bill would have a significant fiscal impact on the state budget. It expands the eligibility for the Auxiliary Grant (AG) program to individuals in supportive housing and is no longer limited to individuals in assisted living facilities or adult foster homes. The fiscal impact is primarily a result of making AG payments to additional individuals along with administrative costs for state agencies related to the expansion of the program and the bill's licensure requirements. In addition, there is a potential for a Medicaid impact, because anyone eligible for an AG payment is eligible for Medicaid. The fiscal impact estimate in item 7 includes all projected costs except for Medicaid, which is indeterminate because there is no data to indicate how many of the new AG recipients are currently not enrolled in Medicaid.

Department of Social Services

The bill expands eligibility for the AG program to include individuals residing in supportive housing. Currently, the AG program provides supplements to income for recipients of Supplemental Security Income (SSI) and certain other aged, blind, or disabled individuals residing in a licensed assistant living facility or an approved adult foster home. The Department of Behavioral Health and Developmental Services estimates that an additional 1,725 (1,600 mental health and 125 intellectually disabled) clients could potentially be eligible for auxiliary grants based on this legislation. The fiscal impact of the bill's requirements will be delayed due to the time necessary for the impacted agency to promulgate the necessary regulations, and begin licensing and registering new service providers. While this process can be a time consuming process, this fiscal impact statement makes a conservative assumption that all these processes will take 18 months from the bill's effective date of July 1, 2014. Therefore, the fiscal impact of higher AG payments would not begin until mid-year FY 2016. Of the estimated 1,725 additional AG clients, it is anticipated that none will participate in the AG program in FY 2015 due to implementation, 50 percent or 863 clients will participate in FY 2016, and the full 1,725 clients will participate in FY 2017.

Auxiliary grant payments would increase due to the estimated increase in the number of clients as a result of the bill. In FY 2013, the average monthly payment for AG participants was \$485. AG payments are funded with 80 percent general fund and 20 percent local funds. Based on this, AG payments are estimated to increase by \$5,019,750 (\$4,015,800 GF) in FY 2016 and by \$10,039,500 (\$8,031,600 GF) in FY 2017 and thereafter.

The increase in AG clients as a result of the bill would have an impact on local administrative costs. In FY 2013, local administrative spending on AG effort was approximately \$1.2 million. There are currently 4,704 AG clients. The number of AG clients is expected to increase by 18.3 percent (863/4704) in FY 2016 and by 36.7 percent (1725/4704) in FY 2017 and thereafter. Based on this, it is assumed that there would be a corresponding increase in the cost of local administrative effort for the AG program as well.

Local administrative costs are estimated to increase by \$220,026 ($\$1,200,000 \times .183$) in FY 2016 and \$440,051 ($\$1,200,000 \times .367$) in FY 2017 and thereafter. These costs would be split 84.5 percent general fund and 15.5 percent local funds. The resulting GF impact for the state would be \$185,922 in FY 2016 and \$371,843 in FY 2017 and thereafter.

The total cost to the Department of Social Services is estimated to be \$4,201,722 GF in FY 2016 and \$8,403,443 GF in FY 2017 and thereafter.

Medicaid

This bill adds an additional residential setting under which an individual can reside and be eligible for an AG payment. This fiscal impact assumes that any changes to the AG program is approved by the Social Security Administration (SSA) to ensure that the Maintenance of Effort (MOE) provision is maintained in order for the program to be compliant with SSA rules.

If the state fails to meet the MOE requirements or receive the appropriate SSA approval, it could jeopardize funding for the entire Medicaid program, potentially putting over \$4.0 billion of federal matching funds for the Medicaid program at risk.

When individuals qualify for an AG grant, they receive automatic eligibility for Medicaid. Therefore, expanding the residential settings eligible for AG payments expands the number of people that would qualify for Medicaid. While the bill provides flexibility for existing AG recipients to move to a new setting, the only impact on Medicaid would come from new clients who are not currently eligible for Medicaid. Individuals currently in supportive housing who would become eligible for AG payments under this bill would become eligible for Medicaid unless already enrolled. There is no data regarding the current Medicaid eligibility of this population so no fiscal impact estimate can be projected at this time. However, each new client, not currently enrolled in Medicaid, would have a Medicaid impact of \$17,179 per year. Therefore, to provide an example, if half the new AG population (863) of individuals are not currently eligible, then the impact on Medicaid would be \$14,825,477 (\$7,412,739 GF) a year.

Department for Aging and Rehabilitative Services

The Department for Aging and Rehabilitative Services (DARS) is the primary agency with policy oversight over the Auxiliary Grant (AG) program. The bill requires the agency to implement a licensing program of AG providers for service coordination of individuals with blindness or physical disabilities. The agency does not currently have any licensing capabilities. According to DARS the agency would need at least two positions to implement the licensing program and to handle an expansion of the AG program. The salary, fringe benefits, and overhead expenses are estimated by the agency to be \$157,372 each year. Since

the bill provides no fee for this licensing function, this estimate assumes the general fund would fund these costs.

Department for Behavioral Health and Developmental Services

The Department for Behavioral Health and Developmental Services (DBHDS) is required by the bill to implement a licensing program of AG providers for service coordination of individuals with mental illness or intellectual disabilities. According to DBHDS the agency would need at least one position to oversee the new responsibilities of the bill. The salary, fringe benefits, and overhead expenses are estimated by the agency to be \$97,372 each year. Since the bill provides no fee for this licensing function, this estimate assumes the general fund would fund these costs.

- 9. Specific Agency or Political Subdivisions Affected:** Department for Aging and Rehabilitative Services, Department of Social Services, Department of Medical Assistance Services, and the Department of Behavioral Health and Developmental Services.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** None.