

Department of Planning and Budget 2015 Fiscal Impact Statement

1. Bill Number: HB 2084

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

2. Patron: Peace, Christopher K.

3. Committee: Health, Welfare and Institutions

4. Title: Auxiliary grants; supportive housing

5. Summary: The bill extends eligibility for auxiliary grants to include individuals residing in supportive housing, provided the supportive housing provider has entered into an agreement for the provision of supportive housing with the Department of Behavioral Health and Developmental Services. The bill also establishes requirements for providers of supportive housing that enter into agreements with the department.

6. Budget Amendment Necessary: Yes.

7. Fiscal Impact Estimates: Preliminary

Expenditure Impact:*

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2015	-	-	-
2016	\$176,058	2.0	General
2017	\$5,756,825	2.0	General
2018	\$11,337,592	2.0	General
2019	\$11,337,592	2.0	General
2020	\$11,337,592	2.0	General
2021	\$11,337,592	2.0	General

* These estimates do not include Medicaid costs as there is insufficient data. However, if 50 percent of the new AG clients become eligible for Medicaid, the state would incur \$7.4 million general fund in additional costs per year; so this bill's potential impact on Medicaid is significant.

8. Fiscal Implications: The following assumes that the federal maintenance of effort (MOE) requirement is met and Social Security Administration (SSA) approval is granted. It is estimated that the bill, as drafted, 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 estimated 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. This number was provided in FY 2014 and is being used as no improved data source has been identified. 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. Therefore, the fiscal impact of higher AG payments would not begin until mid-year FY 2017. Of the estimated 1,725 additional AG clients, it is anticipated that none will participate in the AG program in FY 2016 due to the time needed for development and implementation, 50 percent or 863 clients will participate in FY 2017, and the full 1,725 clients will participate in FY 2018.

Auxiliary grant payments would increase due to the estimated increase in the number of clients as a result of the bill. The Department of Social Service (DSS) estimates the average monthly payment, including the personal care allowance, for this group of AG participants to be \$650. AG payments are funded with 80 percent general fund and 20 percent local funds. Based on this, AG payments are estimated to increase by \$6,727,500 (\$5,382,000 general fund) in FY 2017 and by \$13,455,000 (\$10,764,000 general fund) in FY 2018 and thereafter.

The increase in AG clients as a result of the bill would have an impact on local administrative costs. DSS estimates local administrative spending on AG effort is approximately \$1.2 million. There are currently 4,400 AG clients. The number of AG clients is expected to increase by 19.6 percent (863/4704) in FY 2017 and by 39.2 percent (1725/4704) in FY 2018 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 \$235,200 (\$1,200,000 x 0.196) in FY 2016 and \$470,400 (\$1,200,000 x 0.392) in FY 2017 and thereafter. These costs would be split 84.5 percent general fund and 15.5 percent local funds. The resulting general fund impact for the state would be \$198,767 in FY 2017 and \$397,534 in FY 2017 and thereafter.

The total cost to the Department of Social Services is estimated to be \$5,580,767 general fund in FY 2017 and \$11,161,534 general fund in FY 2018 and thereafter.

Medicaid

This bill adds an additional residential setting under which an individual can reside and be eligible for an AG payment. Again, this fiscal impact assumes that any changes to the AG program are approved by the SSA to ensure that the 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 general fund) 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. According to DARS the agency would need at least one position to implement the provisions of this bill and handle an expansion of the AG program. The salary, fringe benefits, and overhead expenses are estimated by the agency to be \$78,686 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 bill requires Department for Behavioral Health and Developmental Services (DBHDS) to conduct annual inspections of providers of supportive housing that would now be eligible to accept auxiliary grants from their residents. The agency expects that current staff could develop the required implementation documentation, which the bill mandates is due by January 2016. However, depending upon the scope of the program, the department would need to add at least one additional program staff member to the licensing department in order to meet the increased annual inspection workload. 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

Department of Behavioral Health and Developmental Services.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/30/15