

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	380,837		21,768,122	4,162,590
CASH FUNDS				
FEDERAL FUNDS	380,837		25,384,888	5,030,410
OTHER FUNDS				
TOTAL FUNDS	761,674		47,153,010	9,193,000

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill makes changes to the Medicaid Working Disabled coverage. The bill removes the trial work period and allows unearned income without conditions. The graduated premium amount that currently can be assessed is 2% to 10% of income. The bill changes it to up to 7.5%. Resource limits are removed.

There are currently approximately 80 individuals who are enrolled in the working disabled coverage. The Department of Health and Human Services indicates that approximately an additional 13,200 individuals would be eligible with half or 6,600 expected to apply. Initial costs would be for staff and contracts for the following: state plan amendment development, waiver changes, managed care contract changes and an actuarial study.

State aid costs for medical services would be \$45,209,560 (\$20,796,412 GF and \$24,413,178 FF) with \$9,193,000 (\$4,162,590 GF and \$5,030,410 FF) offsetting the General and federal fund costs in FY 21. The department would require additional staff at a cost of \$761,674 (\$380,837 GF and FF) in FY 20 and \$1,943,420 (\$971,710 GF and FF).

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 323	AM:	AGENCY/POLT. SUB: Nebraska Department of Health and Human Services	
REVIEWED BY: Ann Linneman	DATE: 2-26-19	PHONE: (402) 471-4180	
COMMENTS: No basis to disagree with the Nebraska Department of Health and Human Services' assessment of fiscal impact.			

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Mike Michalski

Date Prepared 1/17/19

Phone: (5) 471-6719

	<u>FY 2019-2020</u>		<u>FY 2020-2021</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$380,837		\$21,442,612	\$4,162,590
CASH FUNDS				
FEDERAL FUNDS	\$380,837		\$25,710,398	\$5,030,410
OTHER FUNDS				
TOTAL FUNDS	\$761,674		\$47,153,010	\$9,193,000

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

LB 323 modifies and expands Nebraska’s Medical Insurance for Workers with Disabilities (MIWD) program. LB 323 proposes replacing the current MIWD program with two new programs: (1) Basic Coverage Group (BCG) and (2) Medical Improvement Group (MIG). The current income limit for the current MIWD program is 250% of the federal poverty level (FPL). LB 323 proposes to disregard unearned income of any source from future eligibility determination. Currently, unearned income is a component of an eligibility test for MIWD. Only a person’s earned income would be counted toward the 250% FPL limit. The proposed programs use the SSI income counting methodology that most Medicaid programs for the disabled use. Under this methodology the first \$65 and half of the remainder of earned income is disregarded. This would give the program an effective income limit over 500% of the poverty line plus any amount of unearned income.

LB 323 proposes premiums with a cap of 7.5% of family income. Some of the additional costs would be offset by charging premiums, albeit at a lower percentage than currently allowed. It is also important to note that, under federal guidelines, any participant who has taxable income of \$75,000 or more is required to pay 100% of the cost for their premiums. This would be a change to current premium structure that does not have caps.

LB 323 would propose to exclude resources from the eligibility determination for future program applicants. Currently, the program has a resource limit of \$4,000 for an individual or \$6,000 for a couple.

These changes will require submission of state plan amendments, changes to 3 home and community based waivers, change to the managed care waiver, and contract amendments with the managed care entities. Capitation rates will have to be developed by the states actuarial contractor. All of these changes require review and approval by the Centers for Medicare and Medicaid Services (CMS). Based on this, the implementation timeline is estimated to be the beginning of SFY21.

Based on March 27, 2018 RespectAbility (RA) Report, there are 112,418 working-age disabled Nebraska citizens, aged 21 to 64. The RA reports that 23.9% are already eligible (26,868 individuals) for this program. After removing the individuals eligible in the program, the Report states an average labor participation rate of 47.40% (42,604 individuals) for persons within this group. It is estimated that 13,207 disabled individuals would be eligible for the program based on disability distribution of populations within each FPL level from 250% to 500%.

It is estimated that 50% (6,604) of the eligible disabled population would apply for MIWD benefits in the proposed programs in the first year. Applications historically from the MIWD group have been submitted via the following channels: phone (10%), online (45%), and paper (45%). The new MIWD applications would require 10,236 additional processing hours allocated as such: 2 hours- phone, 1 hour- online, and 2 hours- paper application. This additional application paperwork would result in 5 FTE Social Service Workers and a new Social Service Supervisor.

Currently 96% of MIWD applicants are determined eligible today, so with this historical acceptance rate being applied, it would result in 6,340 new applicants being enrolled into the expanded MIWD program. One-time costs associated with accommodating the new eligible application categories would include updating NFOCUS with estimated costs of \$129,800 (\$103,550 in Technical Analyst efforts and \$26,250 in Business Analyst efforts). The estimated MMIS system updates would be \$16,650 (\$8,550 in Technical Analyst efforts and \$8,100 in Business Analyst efforts).

The approved cases of 6,340 requires 4 yearly case management hours each, resulting in 25,360 new case management hours, being handled by 15 Social Service Workers and 2 Managers. Additional DHHS FTE for program policy and regulatory development as well as quality assurance will be required. Policy workers would be expected to start July 1, 2019 to meet regulatory changes. The Social Service Workers, Managers, and Quality Assurance employees would be hired April 1, 2020 to be trained prior to implementation. Administration and computing system costs are paid with 50% General Funds (GF) and 50% Federal Funds (FF).

It is assumed that 80% of the cases (5,072) would be dual eligible and would be subject to a blended dual capitation rate of approximately \$265/month plus a \$14/month dental capitation rate for a total monthly rate of \$279/month. The other 20% (1,268) would be non-dual capitation rate of \$1,808/month with a similar dental rate. There is also a potential for waiver services for this population. In SFY 2018, the current population in MIWD had services of \$471,000 per year. This would also be added to the total capitation payments. Total aid costs for SFY 2021 would be \$45,209,590 in total funds. FMAP of 54.72% for FF is anticipated for SFY 2021.

The bill outlines parameters for participants to pay a MIWD premium. Annual premium revenues of \$1,450 per applicant (\$121 monthly) is based on the average MIWD annual premium for a one person household from the fee schedule for SFY 2019. Total premium revenue would be \$9,193,000 in SFY 21. FMAP of 54.72% FF would be also be applied to the premium revenues to offset the aid and administration costs of the program.

Note: Individuals in this program receive a dual capitation rate for 2 years after enrolling in MIWD if they are already in Medicare. Once they are outside of the two year eligibility, the capitation rates would grow to the non-dual rate of \$1,808/month. If all 6,340 applications would have the higher capitation rate with the dental capitation rate, total aid costs per for year beginning in SFY 2023 would be \$139,122,742 without any inflation factor of costs.

MAJOR OBJECTS OF EXPENDITURE				
PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2019-2020	2020-2021
	19-20	20-21	EXPENDITURES	EXPENDITURES
Social Service Worker	5	20	\$183,435	\$733,741
Social Service Worker Supervisor	0.75	3	\$35,211	\$140,843
DHHS Program Specialist	2	2	\$93,675	\$93,675
Program Accuracy Specialist	0.5	2	\$21,784	\$87,135
<hr/>				
Benefits.....			\$129,865	\$410,232
Operating.....			\$151,254	\$477,794
Travel.....				
Capital Outlay.....				
Aid.....				\$45,209,590
Capital Improvements.....			\$146,450	
TOTAL.....			\$761,674	\$47,153,010