

# Fiscal Note

State of Alaska  
2019 Legislative Session

Bill Version: SB 7  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB007-DHSS-QC-2-10-2019  
Title: MED. ASSISTANCE WORK REQUIREMENT  
Sponsor: MICCICHE  
Requester: HSS

Department: Department of Health and Social Services  
Appropriation: Public Assistance  
Allocation: Quality Control  
OMB Component Number: 234

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2020 Appropriation Requested	Included in Governor's FY2020 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2020	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Personal Services	101.4		101.4	101.4	101.4	101.4	101.4
Travel							
Services	283.1		364.1	446.9	446.9	446.9	446.9
Commodities	12.0				2.0		
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>396.5</b>	<b>0.0</b>	<b>465.5</b>	<b>548.3</b>	<b>550.3</b>	<b>548.3</b>	<b>548.3</b>

## Fund Source (Operating Only)

1002 Fed Rcpts (Fed)	198.2		232.8	274.2	275.2	274.2	274.2
1003 GF/Match (UGF)	198.3		232.8	274.2	275.2	274.2	274.2
<b>Total</b>	<b>396.5</b>	<b>0.0</b>	<b>465.6</b>	<b>548.4</b>	<b>550.4</b>	<b>548.4</b>	<b>548.4</b>

## Positions

Full-time							
Part-time							
Temporary							

## Change in Revenues

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimated SUPPLEMENTAL (FY2019) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2020) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No  
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/20

## Why this fiscal note differs from previous version/comments:

Not applicable, initial version based on the Governor's December 15, 2018 FY2020 request.

Prepared By: Shawnda O'Brien, Director  
Division: Public Assistance  
Approved By: Sana Efird, Administrative Services Director  
Agency: Office of Management and Budget

Phone: (907)465-5847  
Date: 02/10/2019 08:03 PM  
Date: 02/10/2019

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2019 LEGISLATIVE SESSION

BILL NO. SB007

### Analysis

SB 7 amends AS 47.07.036 to direct the department to apply for an 1115 waiver to require 20 hours of work or comparable work search, volunteer, subsistence, or educational activities for adults who are eligible for Medicaid and who are not exempt. Exemptions under the bill would include age, disability and parent caretakers of children of a certain age. The work requirements cannot interfere with substance abuse treatment, and compliance must be achieved within 90 days of being notified of the work requirements. Implementation would begin July 1, 2019 (FY 2020) and the first year would be devoted to program development and start-up. To successfully implement the department would start with a specific location and expand the service area incrementally.

The department estimates that, in FY2020, 22,148 of total Medicaid enrollees would be required to comply with the work requirement. (This estimated number could be lower depending on the number of individuals participating in treatment for substance use. At this time there is not centralized data to cross match with Medicaid enrollees.)

Costs and savings are estimated based on the expectation that, effective SFY 2020, all new Medicaid applicants would be evaluated for a determination of exemption from, or compliance with, the new requirement; and all current non-exempt enrollees would be given a 90-day notice to come into compliance. Eventually, 25% of the total enrollees subject to work requirements would not comply and would be removed from or denied Medicaid (based on Society of Actuaries' analysis). The time it would take to make and process determinations of non-compliance and respond to Fair Hearing requests would result in a ramp-up period before the full 25% reduction is reached, as follows:

Of the enrollees and new applicants subject to work requirements:

\*15% will be denied or removed in FY 2020

\*20% will be denied or removed in FY 2021

\*25% will be denied or removed in FY 2022 and beyond.

Of those who do not comply and are denied or removed, two-thirds would be in the Medicaid expansion eligibility category.

Costs in this note are reflective of the need for one additional staff person and associated costs in the division's quality control section to handle the projected increase in Fair Hearing requests resulting from denial and closure of Medicaid enrollment cases. These costs are allowable to be claimed for federal funding through the Centers for Medicare and Medicaid Services (CMS).

#### Projected Costs

Personal Services: \$101.4 (50%Fed/50% GF Match)

FTE	Position	Range/Step	Location	Annual FTE Cost
1	Public Assistance Analyst	18 C	Anchorage	\$101,434

One new Public Assistance Analyst position will be required to handle the projected increase in Fair Hearing requests resulting from denial and closure of Medicaid enrollment cases.

Services: Total \$283.1 (50% Fed/50% GF Match) in Year 1

Cost of services required to support the new FTE, such as lease costs and Information Technology and other shared services, is 18% per FTE or \$18.3. This is an ongoing cost.

\$20.0 (50% Fed/50% GF Match)

Reimbursable Services Agreement with the Department of Law for legal support associated with the new work requirements. This is an ongoing cost.

## FISCAL NOTE ANALYSIS

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### Analysis

\$244.8 (50% GF Match, 50% Fed) in Year 1

Reimbursable Services Agreement with Department of Administration, Office of Administrative Hearings, for increases in Fair Hearings, assuming 4.1% of those clients denied or closed file an appeal. Cases increase over the first three years of implementation as numbers determined ineligible due to non-compliance increase.

FY2020: \$1.8 per case fair hearing cost x 136 fair hearing requests = \$244.8

FY2021: \$1.8 per case fair hearing cost x 181 fair hearings requests = \$325.8

FY2022: \$1.8 per case fair hearing cost x 227 fair hearing requests = \$408.6

Commodities: \$12.0 FY2020 (50% GF Match, 50% Fed)

One-time FY2020 start-up cost:

1 FTE x \$10.0 (Office Furniture/Cubicle) = \$10.0

1 FE x \$2.0 (Computer) = \$2.0

\$2.0 FY2023 (50% GF Match, 50% Fed) would be needed for a computer refresh every 3 years.