



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of
Health and Social Services

Office of the Commissioner

Anchorage
3601 C Street, Suite 902
Anchorage, Alaska 99503-5924
Main: 907.269.7800
Fax: 907.269.0060

Juneau
350 Main Street, Suite 404
Juneau, Alaska 99801-1149
Main: 907.465.3030
Fax: 907.465.3068

March 14, 2018

The Honorable David Wilson
Chair, Senate Health & Social Services Committee
Alaska Senate
Alaska State Capitol, Room 508

Dear Senator Wilson:

This letter presents the summary of the SB 193 fiscal notes requested by the SHSS committee during the March 12, 2018 hearing on the bill. A summary table is provided on the following page. At the highest level, the combined fiscal notes project a 6-year UGF cost of \$78.8 million and a decrease in federal receipts totaling \$175.0 million. The decrease in federal revenue would result from individuals losing Medicaid for non-compliance with work requirements, the majority of whom would be covered under expansion and primarily federally funded.

Background

SB 193 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.

Based on a departmental analysis of public assistance data, an estimated 10.5% of all Medicaid enrollees would be required to engage in new activities to come into compliance with work requirements. The department analyzed FY 2017 Medicaid enrollee data and found that in that year 10.5% of total enrollees were not in working households and also would not have been exempt from the requirements under the provisions of SB 193 and CMS (Centers for Medicare and Medicaid Services) guidelines.

The department's analysis comports with a national actuarial analysis recently published in a Society of Actuaries periodical (Clarkson, J., Schipp, A., and Damler, R. (Jan 2018). Medicaid Work Requirements: Overview of Policy and Fiscal Considerations. *In the Public Interest*, (Issue 16), 6-11.). That analysis found that 10% of non-dual-eligible (essentially non-elderly) Medicaid enrollees in expansion states would be neither exempt nor already working, and would be required to engage in new activities to comply with work requirements.

SB 193 Fiscal Note Summary							
AGENCY/Appropriation/Allocation	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	6-Year Total
DHSS/Public Assistance							
Quality Control	20.0	490.2	591.1	704.0	686.0	684.0	3,175.3
Public Assistance Field Services	173.0	6,542.0	5,736.7	5,565.0	5,655.0	5,565.0	29,236.7
Work Services	115.0	21,331.0	20,076.0	18,821.0	18,821.0	18,821.0	97,985.0
DHSS/Medicaid Services							
Health Care Medicaid Services	0.0	(25,768.1)	(34,357.4)	(42,946.8)	(42,946.8)	(42,946.8)	(188,965.9)
Behavioral Health Medicaid Services	0.0	(4,634.5)	(6,179.4)	(7,724.2)	(7,724.2)	(7,724.2)	(33,986.5)
Adult Preventative Dental Medicaid Services	0.0	(494.3)	(659.1)	(823.9)	(823.9)	(823.9)	(3,625.1)
DOA/Centralized Administrative Services							
Office of Administrative Hearings	0.0	338.9	451.8	564.6	564.6	564.6	2,484.5
DOLWD/Employment and Training Services							
Workforce Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTALS	308.0	(2,194.8)	(14,340.3)	(25,840.3)	(25,768.3)	(25,860.3)	(93,696.0)
FUNDING SOURCE							
Federal Receipts	154.0	(22,741.1)	(31,577.8)	(40,292.9)	(40,256.9)	(40,302.9)	(175,017.6)
GF Match	154.0	(1,123.6)	(3,290.3)	(4,933.0)	(4,897.0)	(4,943.0)	(19,032.9)
GF	0.0	21,331.0	20,076.0	18,821.0	18,821.0	18,821.0	97,870.0
I/A Rcpts (Other)	0.0	338.9	451.8	564.6	564.6	564.6	2,484.5
TOTALS	308.0	(2,194.8)	(14,340.3)	(25,840.3)	(25,768.3)	(25,860.3)	(93,696.0)
TOTALS w/o I/A Rcpts (an inter-agency transfer)	308.0	(2,533.7)	(14,792.1)	(26,404.9)	(26,332.9)	(26,424.9)	(96,180.5)
Undesignated General Fund Subtotal	154.0	20,207.4	16,785.7	13,888.0	13,924.0	13,878.0	78,837.1
Positions (Full-Time)	0	53	51	50	50	50	

Guide to Fiscal Notes

- There are eight Fiscal Notes: six from the Department of Health & Social Services (DHSS), one from the Department of Administration (DOA) Office of Administrative Hearings, and 1 from the Department of Labor & Workforce Development (DOLWD) Workforce Services.
- Six DHSS Fiscal Notes
 - Three Medicaid Services Allocation-Level Fiscal Notes: Reflect decreased Medicaid spending that would result from individuals removed from or denied Medicaid due to non-compliance with work requirements.
 - Three Public Assistance Allocation-Level Fiscal Notes
 - Quality Control: Includes one new FTE and associated costs for the Division of Public Assistance, plus funding for RSAs to the Office of Administrative Hearings and Department of Law, to handle increase in Fair Hearing requests from individuals denied Medicaid.
 - Public Assistance Field Services: Includes 49 new FTEs (beginning in year 2, declining to 45 by year-6) and associated costs, primarily for Employment Services Technicians to work with recipients to assist them with meeting the requirements, but also for Eligibility Technicians to process case closures for recipients removed due to non-compliance, and also associated support staff. Also includes contract funds for 1115 waiver development including actuarial support, and for independent project monitoring and evaluation required by CMS under the 1115 waiver process.

- Work Services: Funds supportive services to assist beneficiaries in meeting work and community engagement requirements. Includes funds for regulations and notice publication in the first year.
- Two Fiscal Notes from other agencies:
 - DOA: Provides I/A receipt authority and two (increasing to three by year-6) new FTEs for the Office of Administrative Hearings to receive funding from DHSS to process Fair Hearing requests from individuals denied Medicaid for non-compliance.
 - DOLWD: Zero Fiscal Note, projecting no fiscal impact to the department.

Assumptions

The department estimates that in FY 2019 10.5% of total Medicaid enrollment will be 25,095, which is the estimated number of Medicaid enrollees who will be required to engage in new activities to come into compliance with the work requirements.

The following assumptions were made to determine the proportion of enrollees who would be subject to work requirements under the bill and CMS (Centers for Medicare and Medicaid Services) guidelines.

The analysis assumed the following enrollees would be exempt:

- Children under the age of 18
- Adults 65 and over
- Disabled adults
- Pregnant women
- Parent/caretaker provider of home care for a child up to 12 months old or a disabled child
- Caretaker of a disabled relative who requires 24-hour care
- Parent/caretaker for a child under age 6 if appropriate child care is not available
- Alaska Temporary Assistance Program (ATAP) participants
- Adults already participating in SNAP (Supplemental Nutrition Assistance Program) employment and training work activities
- Adults living in a community exempt from existing public assistance work requirements due to extreme lack of job opportunities
- Adults participating in substance abuse treatment programs

Cost and savings estimates are based on the following assumptions:

- Implementation would begin July 1, 2019 (FY2020), and FY2019 would be a program development and start-up year
- Effective FY2020,
 - 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.
- In the future, compliance will be evaluated at application, recertification, and reports of change
- 10.5% of total enrollees would be required to engage in new activities to come into compliance with the work requirement.

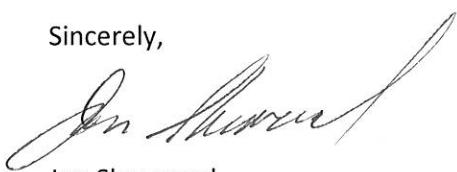
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- Eventually 25% of the enrollees impacted by work requirements would not comply and would be removed from or denied Medicaid, beginning with 15% in FY2020, 20% in FY2021, and 25% in FY 2022 and beyond.
- Of those who do not comply and are denied or removed:
 - two-thirds would be in the Medicaid expansion eligibility category
 - 5% would file an appeal of the decision through the Fair Hearing process
- The 2.6% reduction in Medicaid enrollment (25% of 10.5%) that would result from work requirements would not result in enough regained staff time to offset the additional staff commitment needed to evaluate and monitor eligibility for those in compliance.

Thank you for the opportunity to provide this summary information. Please distribute this response to the committee.

Sincerely,



Jon Sherwood
Deputy Commissioner

Cc: Darwin Peterson, Legislative Director, Office of the Governor
Kelly Cunningham, Fiscal Analyst, Legislative Finance Division
Neil Steininger, Chief Budget Analyst, Office of Management and Budget
Valerie Nurr'araaluk Davidson, Commissioner