

# Fiscal Note

State of Alaska  
2018 Legislative Session

|                     |               |
|---------------------|---------------|
| Bill Version:       | CSSB 193(HSS) |
| Fiscal Note Number: | 3             |
| (S) Publish Date:   | 3/28/2018     |

Identifier: SB193-DHSS-QC-3-10-18  
 Title: MED. ASSISTANCE WORK REQUIREMENT  
 Sponsor: KELLY  
 Requester: Senate 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)

|                               | FY2019                  | Included in               | Out-Year Cost Estimates |                |                |                |                |
|-------------------------------|-------------------------|---------------------------|-------------------------|----------------|----------------|----------------|----------------|
|                               | Appropriation Requested | Governor's FY2019 Request | FY 2020                 | FY 2021        | FY 2022        | FY 2023        | FY 2024        |
| <b>OPERATING EXPENDITURES</b> | <b>FY 2019</b>          | <b>FY 2019</b>            | <b>FY 2020</b>          | <b>FY 2021</b> | <b>FY 2022</b> | <b>FY 2023</b> | <b>FY 2024</b> |
| Personal Services             |                         |                           | 100.9                   | 100.9          | 100.9          | 100.9          | 100.9          |
| Travel                        |                         |                           |                         |                |                |                |                |
| Services                      | 20.0                    |                           | 377.0                   | 489.9          | 602.8          | 582.8          | 582.8          |
| Commodities                   |                         |                           | 12.3                    | 0.3            | 0.3            | 2.3            | 0.3            |
| Capital Outlay                |                         |                           |                         |                |                |                |                |
| Grants & Benefits             |                         |                           |                         |                |                |                |                |
| Miscellaneous                 |                         |                           |                         |                |                |                |                |
| <b>Total Operating</b>        | <b>20.0</b>             | <b>0.0</b>                | <b>490.2</b>            | <b>591.1</b>   | <b>704.0</b>   | <b>686.0</b>   | <b>684.0</b>   |

## Fund Source (Operating Only)

|                      |             |            |              |              |              |              |              |
|----------------------|-------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Fed Rcpts (Fed) | 10.0        |            | 245.1        | 295.6        | 352.0        | 343.0        | 342.0        |
| 1003 G/F Match (UGF) | 10.0        |            | 245.1        | 295.5        | 352.0        | 343.0        | 342.0        |
| <b>Total</b>         | <b>20.0</b> | <b>0.0</b> | <b>490.2</b> | <b>591.1</b> | <b>704.0</b> | <b>686.0</b> | <b>684.0</b> |

## Positions

|           |  |  |     |     |     |     |     |
|-----------|--|--|-----|-----|-----|-----|-----|
| Full-time |  |  | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 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 (FY2018) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2019) cost:** 0.0 *(separate capital appropriation required)*  
*(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? 07/01/19

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

Not applicable; initial version.

|              |   |        |               |
|--------------|---|--------|---------------|
| Prepared By: | Monica Windom, Division Director        | Phone: | (907)465-2680 |
| Division:    | Division of Public Assistance           | Date:  | 03/10/2018    |
| Approved By: | Shawnda O'Brien, Assistant Commissioner | Date:  | 03/10/18      |
| Agency:      | Health and Social Services              |        |               |

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

## Analysis

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 activities to come into compliance with work requirements. The department analyzed FY2017 Medicaid enrollee data and found that in that year there were 22,824 adults (10.5% of total enrollees) in non-working households who would not be exempt from the requirement under the provisions of SB 193 and CMS (Centers for Medicare and Medicaid Services) guidelines. This proportion comports with a national actuarial analysis recently published in a Society of Actuaries periodical that found that 75% of non-dual-eligible (essentially non-elderly) Medicaid enrollees in expansion states would be exempt from work requirements, another 15% are adults who are actively working, and the remaining 10% would be required to engage in activities to comply with work requirements.

The department estimates that in FY2019 10.5% of total Medicaid enrollment will be 25,095. This fiscal note is based on the assumption that 25,095 Medicaid enrollees will be required to engage in new activities to come into compliance with the work requirements.

Assumptions:

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
- \* 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.

FISCAL NOTE ANALYSIS

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BILL NO. SB193

**Analysis**

- \* 10.5% of total enrollees would be required to comply with the work requirement.
- \* Eventually 25% of the 10.5% of total enrollees subject to work requirements would not comply and would be removed from or denied Medicaid.
- \* 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 FY2020
    - \*20% will be denied or removed in FY2021
    - \*25% will be denied or removed in FY2022 and beyond.
- \* Of those who do not comply and are denied or removed, two-thirds would be in the Medicaid expansion eligibility category.
- \* 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. Compliance will be evaluated at application, recertification and change reporting.

**Projected Costs**

Personal Services:

\$100.9 (50% GF Match, 50% Fed)

| <u>FTE</u> | <u>Position</u>           | <u>Range/Step</u> | <u>Location</u> | <u>Annual FTE Cost</u> |
|------------|---------------------------|-------------------|-----------------|------------------------|
| 1          | Public Assistance Analyst | 18 C              | Anchorage       | \$100,914.00           |

Beginning in FY2020, 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:

\$18.2 (50% GF Match, 50% Fed)

Costs of services required to support the new FTE, such as lease costs and Information Technology and other shared services, is 18% per FTE. This will be an on-going annual cost beginning in FY2020.

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

Reimbursable Services Agreement services from the Department of Law for legal support associated with the new work requirements starting in FY2019 and continuing through FY2022.

\$338.8 (50% GF Match, 50% Fed)

Reimbursable Services Agreement with Department of Administration, Office of Administrative Hearings, for increases in Fair Hearings, assuming 5% 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: \$1,800.00 per case fair hearing cost x 188 fair hearing requests = \$338,782.50

FY2021: \$1,800.00 per case fair hearing cost x 251 fair hearing requests = \$451,710.00

FY2022 & Beyond: \$1,800.00 per case x 314 cases = \$564,637.50

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**Analysis**Commodities:

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

Computers and office furniture/cubicles will be required for the new positions, at a one-time FY2020 start-up cost of \$12,000.00 per FTE as follows:

1 FTE x \$10,000 (Office Furniture/Cubicle) = \$10,000.00

1 FTE x \$2,000 (Computer) = \$2,000.00

\$2.0 FY2023 (50% GF Match, 50% Fed)

Computer refresh for 1 FTE every 3 years.

\$0.3 (50% GF Match, 50% Fed)

Office supplies will be required for the new position, at an annual on-going cost of \$250.00 per FTE beginning in FY2020 as follows:

1 FTE's x \$250.00 (supplies) = \$250.00