

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version:	CSSB 193(HSS)
Fiscal Note Number:	5
(S) Publish Date:	3/28/2018

Identifier: SB193-DHSS-BHMS-3-9-18  
 Title: MED. ASSISTANCE WORK REQUIREMENT  
 Sponsor: KELLY  
 Requester: Senate HSS

Department: Department of Health and Social Services  
 Appropriation: Medicaid Services  
 Allocation: Behavioral Health Medicaid Services  
 OMB Component Number: 2660

**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 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>OPERATING EXPENDITURES</b>	<b>FY 2019</b>	<b>FY 2019</b>						
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits				(4,634.5)	(6,179.4)	(7,724.2)	(7,724.2)	(7,724.2)
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>(4,634.5)</b>	<b>(6,179.4)</b>	<b>(7,724.2)</b>	<b>(7,724.2)</b>	<b>(7,724.2)</b>	<b>(7,724.2)</b>

**Fund Source (Operating Only)**

1002 Fed Rcpts (Fed)			(3,938.5)	(5,211.3)	(6,514.1)	(6,514.1)	(6,514.1)
1003 G/F Match (UGF)			(696.0)	(968.1)	(1,210.1)	(1,210.1)	(1,210.1)
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>(4,634.5)</b>	<b>(6,179.4)</b>	<b>(7,724.2)</b>	<b>(7,724.2)</b>	<b>(7,724.2)</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

1251 Non-UGF (Other)			(3,938.5)	(5,211.3)	(6,514.1)	(6,514.1)	(6,514.1)
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>(3,938.5)</b>	<b>(5,211.3)</b>	<b>(6,514.1)</b>	<b>(6,514.1)</b>	<b>(6,514.1)</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 If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/19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.

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Division:	Finance and Management Services	Date:	03/09/2018 08:00 AM
Approved By:	Shawnda O'Brien, Assistant Commissioner	Date:	03/09/18
Agency:	Health and Social Services		

## FISCAL NOTE ANALYSIS

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## 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

**Projected Impact:**

The expenditures per adult enrollee are estimated at \$8,208 per enrollee.

Since the federal medical assistance percentage (FMAP) for services provided through Indian Health Services and tribal health facilities is 100% federal, the projected expenditures that are ineligible due to non-compliance are split into two categories for both expansion and non-expansion. The Indian Health Service splits were estimated from the FY2018 spending trends reporting 35% Indian Health Services FMAP expenditures for the expansion population and 32% for the non-expansion population.

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### Analysis

The FMAP applied to the non-Indian Health Service expansion expenditures is 91.5% for FY2020 (the average of the calendar year 2019 FMAP of 93% and the calendar year 2020 FMAP of 90%). For subsequent years, the FMAP of 90% is applied. The regular FMAP of 50% is applied to the non-Indian Health Service, non-expansion expenditures for all fiscal years.

The resulting impact is allocated proportionally based on projected FY2019 expenditures over the three impacted Medicaid Services components of Behavioral Health Medicaid Services, Adult Preventative Dental Medicaid Services, and Health Care Medicaid Services. The Senior and Disabilities Medicaid service component is excluded because the work assistance requirements do not impact participants in the programs and services funded under this component. The total financial impact is allocated based on this methodology as follows:

- \* Behavioral Health Medicaid Services: 15.0%
- \* Adult Preventative Dental Medicaid Services: 1.6%
- \* Health Care Medicaid Services: 83.4%

We estimate that the department will require one year to submit and gain approval for the waiver, promulgate regulations and complete changes to the eligibility system. Medicaid expenditures will be impacted beginning in FY2020.

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.
- \* 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.

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Analysis

	<i>FY2020</i>	<i>FY2021</i>	<i>FY2022 and beyond</i>
Estimated impacted enrollees (10.5% of total)	25,095	25,095	25,095
Estimated denial rate	15%	20%	25%
# denied	3,764	5,019	6,274
avg cost per enrollee	\$8,208	\$8,208	\$8,208
<b>est. total savings</b>	<b>\$30,896,964</b>	<b>\$41,195,952</b>	<b>\$51,494,940</b>
<i>FMAP calculations - percent GF, blended rate</i>	<i>15.017%</i>	<i>15.667%</i>	<i>15.667%</i>
<b>Savings by fund source:</b>			
Total GF savings	\$4,639,694	\$6,454,032	\$8,067,541
Total Fed saving	\$26,257,270	\$34,741,920	\$43,427,399
<b>GF savings by component:</b>			
behavioral health (15.0%)	\$695,954	\$968,105	\$1,210,131
adult preventative dental (1.6%)	\$74,235	\$103,265	\$129,081
health care medicaid services (83.4%)	\$3,869,505	\$5,382,663	\$6,728,329
<b>Change in Revenue by component (foregone):</b>			
behavioral health (15.0%)	\$3,938,591	\$5,211,288	\$6,514,110
adult preventative dental (1.6%)	\$420,116	\$555,871	\$694,838
health care medicaid services (83.4%)	\$21,898,563	\$28,974,761	\$36,218,451
<b>Estimated Total Savings</b>	<b>\$30,896,964</b>	<b>\$41,195,952</b>	<b>\$51,494,940</b>