

Fiscal Note

State of Alaska
2019 Legislative Session

Bill Version:	CSSB 7(HSS)
Fiscal Note Number:	2
(S) Publish Date:	3/4/2019

Identifier: SB007-DHSS-PAFS-2-8-2019
Title: MED. ASSISTANCE WORK REQUIREMENT
Sponsor: MICCICHE
Requester: HSS

Department: Department of Health and Social Services
Appropriation: Public Assistance
Allocation: Public Assistance Field Services
OMB Component Number: 236

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	3,947.0		3,326.4	3,149.1	2,971.8	2,971.8	2,971.8
Travel	10.0		10.0	10.0	10.0	10.0	10.0
Services	1,633.4		1,378.8	1,347.2	1,309.9	1,309.9	1,309.9
Commodities	553.5		11.4	10.8	78.2	10.2	10.2
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	6,143.9	0.0	4,726.6	4,517.1	4,369.9	4,301.9	4,301.9

Fund Source (Operating Only)

1004 Gen Fund (UGF)	6,143.9		4,726.6	4,517.1	4,369.9	4,301.9	4,301.9
Total	6,143.9	0.0	4,726.6	4,517.1	4,369.9	4,301.9	4,301.9

Positions

Full-time	45.0		38.0	36.0	34.0	34.0	34.0
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/20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.

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FISCAL NOTE ANALYSIS

STATE OF ALASKA
2019 LEGISLATIVE SESSION

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.

Additional Employment Services Technicians staff will be required to work with the work participants to assist in applying for jobs, placement in volunteer activities, or training needed to become self-sufficient. They will also report when the individual is not cooperating so that the division can end their Medicaid participation. An estimated 3.5 hours of staff time per case would be required annually for each client. Staff projections include a reasonable ratio of supervisors and support staff.

The division recommends following the model of the new Unemployment Insurance Call Center, under which the division projects needing an additional 45 positions initially. The number of case-carrying staff could be reduced as more people successfully come off of the program. The division is already in the process of implementing a Virtual Call Center using the Department of Labor's system so this would not be an additional cost.

Administrative costs are not allowable to be claimed for these activities for federal funding under the Centers for Medicare and Medicaid Services (CMS). The division will work with CMS to maximize on any opportunities to claim federal funds for any administrative costs deemed allowable.

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2019 LEGISLATIVE SESSION

BILL NO. SB007

Analysis

Projected Costs

Personal Services: \$3,947.0 in Year 1, reducing in out-years

35 Employment Services Technician II positions; 3 Employment Services Technician III positions; 3 Office Assistant II positions; 2 Eligibility Technician II positions; and 2 Project Assistant positions. These positions will be located in Anchorage and Wasilla.

Project Assistant positions will be used to identify volunteer opportunities for clients, and Eligibility Technician positions will be used to close cases for those individuals who do not comply with the work requirements.

Travel: \$10.0

Staff may need to travel for training and system development needs.

Services: \$1,633.4 in Year 1, reducing in out-years

\$48.0

A professional services contract with a consulting firm with expertise in writing Medicaid 1115 waiver applications will be required. This will be a one-time cost in FY 2020.

\$125.0

A professional services contract with an actuarial consulting firm to assist with the Medicaid 1115 waiver application financial analysis and certification of federal budget cost neutrality will be required. The cost will be \$125.0 in FY 2020, and \$25.0 annually in subsequent years.

\$710.4

Costs of services required to support each new FTE, such as lease costs and Information Technology and other shared services, is approximately 18% of the total cost of a position. The cost will be \$710.4 in FY2020 and then be reduced as follows as positions decrease: \$598.75 in FY2021, \$572.2 FY2022, \$534.9 FY2023-FY2025.

\$750.0

Medicaid 1115 waivers are technically considered demonstration projects by the federal government and require an evaluation and reporting component. A professional services contract will be required for data collection, analysis and reporting at an annual cost of \$750.0 beginning in FY2020.

Commodities: \$553.5

Computers and office furniture/cubicles will be required for each of the new positions, at a one-time FY2020 start-up cost of \$12.0 per FTE as follows:

45 FTE's x \$10.0 (Office Furniture/Cubicle) = \$450.0

45 FTE's x \$2.0 (Computer) = \$90.0

Computer refresh required in FY2023 for 34 FTE's x \$2.0 = \$68.0

Office supplies will be required for each of the new positions, at an annual on-going cost of \$0.3 per FTE beginning in FY 2020 as follows:

45 FTE's x \$0.3 (supplies) = \$13.5, reducing in out years as staff declines.

Capital Budget:

Eventually the state will need to replace the existing case management system. The mainframe hosted system is out of compliance with Office of Information Technology standards and all agencies are required to replace systems being hosted on the mainframe within 3 years. This will require a capital request from the Department in future years.