F I S C A L I M P A C T R E P O R T

SPONSOR Varela **ORIGINAL DATE** 1/25/08 **LAST UPDATED** **HB** 182a/HHGAC

SHORT TITLE Simplify Medicaid Eligibility **SB**

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	**FY09**		
	$200.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HM 4 and SM 10

Relates to Appropriation in the General Appropriation Act

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY08	FY09	FY10	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		See Narrative	See Narrative	See Narrative		

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)

SUMMARY

Synopsis of amendment by House Health and Government Affairs Committee

On page 4, line 7, after the semicolon, insert "or".

Synopsis of Original Bill

House Bill 182 requires the Human Services Department (department) to develop, implement and maintain a simplified eligibility and enrollment process that:

- provides wide distribution of information to potential recipients of benefits available through

Medicaid, State Children's Health Insurance Program or other public health coverage programs administered by the state, including using organizations other than the department, including health care practitioners and facilities, community and social service organizations, electronic and print media and other information dissemination systems to make eligibility and enrollment process information available; and

- ensures that an applicant facing denial of benefits for having an incomplete application is notified in writing which additional documents are missing and be given at least ten days to provide that documentation.

HB 182 also requires, to the extent permitted by federal law, the department to annually recertify eligibility of participants and not deny eligibility unless a department employee determines, after review of the participant's file, that the participant is no longer financially eligible for benefits and that that a participant has received notification of requirements for recertification and failed to meet the requirements within thirty days of notification. The bill provides that the notice is considered received when:

1. a participant signs the notice;
2. a Medicaid provider certifies that the provider notified the participant in person; or
3. a department employee certifies that the participant was notified via telephone in a language the participant understands; or
4. determines that all contact information for the participant is no longer correct and that the participant cannot be reached through the use of reverse postal look-up; or re-mailing to the same address or to a forwarding address or by checking other applicable state data systems for a more recent address.

The bill requires the department to retain, for three years, a complete record of the reasons for termination in the participants file.

HB 182 provides that the Medicaid recertification process does not require the state to continue to provide Medicaid or other public benefits for a participant if the participant is no longer eligible for such benefits.

HB 182 appropriates $200 thousand from the general fund to the Human Services Department for expenditure in fiscal year 2009 and subsequent fiscal years to develop a simplified eligibility and enrollment process pursuant and to hire the staff necessary to implement the process. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

FISCAL IMPLICATIONS

The appropriation of $200 thousand contained in this bill is a RECURRING expense to the GENERAL FUND. Any unexpended or unencumbered balance remaining at the end of 2009 shall not revert to the GENERAL FUND.

According to HSD, based on December 2007 data the 12 month period of December 2007 – November 2008, the department anticipates that over 260,000 individuals in three categories of Medicaid are due for recertification. HSD estimates that 35 to 50 percent of those individuals (90,000 – 130,000 individuals) will not provide information timely to complete the renewal process and could be affected by the bill's provisions.

Under current administrative processes, individuals failing to provide recertification information are removed from Medicaid enrollment through an automatic computer process. HB 182 would require an HSD employee, rather than an automatic computer process, to take additional administrative steps to help determine the individual is no longer eligible for Medicaid or non-compliant with providing the necessary information for continued enrollment. To the extent HB 182's processes result in retaining eligible individuals on Medicaid that would otherwise have been terminated by ISD2, then the bill could result in substantial costs to continue providing Medicaid coverage to these individuals.

Additional operating costs as a result of this bill would partially be offset by the appropriation of $200 thousand. Additional operating costs are dependent on the approach HSD would take to implement some of the administrative processes outlined in the bill. HSD indicates that it would require additional staff (83 FTE) and operating budget to fully implement all aspects of the bill, totaling about $7.1 million for FY09 and $5.1 million in FY10. However, these figures assume a worse case scenario that HSD would have to take every administrative action in the bill for each case, when in fact not all cases would require such extensive administrative processing. Taking additional administrative steps by HSD staff certainly would entail some costs. For example, HSD assumes "to partially satisfy the requirement that department must have participants sign that they received a recertification notice, notices would have to be sent via certified mail at a cost of $1.33 per notice. Assuming an average of 23,000 notices sent monthly, the cost would be $30,590 per month, with a total annual cost of approximately $370,000."

Other provisions may result in additional administrative costs such as the requirement that HSD determine a client's contact information is no longer correct and cannot be reached by using other processes, including reverse postal look-up, re-mailing to the same address or a forwarding address or checking other databases. Each would have costs, some minimal (re-mailing information) and others expensive (purchasing reverse mailing system) depending the approach HSD chooses to take to make this determination.

Subsections D and F clarifies that the department does not have to implement administrative requirements if they are not permitted by federal law and the Medicaid process should not provide benefits to individuals that are not eligible. Presumably these provisions would not allow HSD to continue providing Medicaid benefits to individuals without recertifying eligibility at least every 12 months, and no longer. HSD does raise a concern that if the department does not recertify individuals with the 12 month period and allows them to continue receiving Medicaid benefits then it could be subject to audit findings that result in federal penalties due to ineligible individuals who receive Medicaid services.

SIGNIFICANT ISSUES

HSD has implemented a pilot central processing unit to provide a simplified recertification process for participants– by mail, FAX, 24-hour telephone or e-mail. HSD raised concerns that HB 182 would require termination of this pilot as comparison of the case files and research to be done for each participant prior to closure would require staff to be located in the community where the participants reside. The continuation of the pilot would require the purchase and implementation of a document imaging system or additional of field office staff that could be costly.

Subsection C requires HSD to distribute information to potential recipients or applicants of benefits available through Medicaid, SCHIP or other public health coverage programs

administered by or through the state and secondly utilize various community partners to make eligibility and enrollment process information available. HSD already meets this requirement as the Department utilizes various community partners to distribute and make eligibility and enrollment process information available to new applicants and recipients through the use of Presumptive Eligibility and Medicaid Onsite Application Assistance (PE/MOSAA) Determiners.

Additionally Subsection C, paragraph 3, requires HSD to notify a participant in writing of which additional documents are missing and provide at least ten days to provide the documentation. Current federal and state rules mandate HSD to provide applicants and recipients a written notice when additional documentation is needed to complete an application. HSD raises a concern that acting in accordance with the language proposed in HB 182, if a participant provides their recertification information late in the month and additional information is requested, HSD would be required to violate federal rules to extend eligibility beyond 12 months pending receipt and review of the information. Presumably HSD would need to adjust its notification timelines to individuals to account for receiving information late in the month to avoid violating HB 182's provisions and federal rules of not extending benefits to ineligible individuals.

ADMINISTRATIVE IMPLICATIONS

According to HSD, "to comply with HB 182, HSD would have the burden of proving financial eligibility. Federal and state regulations mandate the client have the primary responsibility to provide verifications necessary to determine eligibility, as they are the best source of the information. State and Federal rules mandate HSD to assist applicants and participants in obtaining information if they are unable to retrieve. HSD also utilizes computer data matches to obtain information to assist with the financial eligibility."

Again, HSD raises concerns that HB 182 places the sole responsibility of verifying continued eligibility on HSD and that this responsibility will result in an increased administrative burden on caseworkers.

Finally, HSD has concerns that for participants that have not identified a primary language, an English speaking caseworker would have to call the participant, if the participant does not understand English or speaks a language the caseworker does not, the caseworker will terminate the call and re-call the participant using language line. HSD has ensured that each of the 37 county offices has bilingual staff available in the primary languages identified for the area. If a participant speaks a language different than that spoken by the available caseworkers, HSD contracts with the "Language – Line" that provides translation services as needed. "Language Line" provides translation services for 174 languages. Utilizing Language Line Services to communicate telephonically could cost $1,373,841.70 annually assuming a high rate of participants who would need the services of the Language-Line.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 181 relates to HM 4 and SM 10 which request HSD to study the effectiveness of its Medicaid recertification pilot project.

TECHNICAL ISSUES

HSD indicates that throughout HB 182, the term "participant" is used. In Medicaid, typically the participant is the person who receives the benefit, which in the case of Medicaid for Children and

SCHIP are children who are not yet of legal consent to apply for assistance on their own behalf. Many of the participants are children who are a week old and unable to verify receipt of notice.

The language should reflect applicant or head of household to appropriately distinguish the person responsible for recertifying or applying for Medicaid.

Unexpended balances from appropriations intended for annual operating expenses should revert to the fund from which they were appropriated.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

HSD would continue its current administrative processes for recertifying individuals for Medicaid, including its recertification pilot project.

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