



Office Memorandum

DATE: June 5, 2013

TO: Senator Richard Cohen
Senator Michelle Fischbach
Senator Rod Skoe
Senator Julianne Ortman
Senator Tony Lourey
Senator Julie Rosen

FROM: Margaret Kelly, State Budget Director *MK*

SSUBJECT: Local Impact Note: SF 5: Medical assistance (MA) eligibility modification; federal Affordable Care Act (ACA) definition and application; appropriation.

On February 11, 2013, Minnesota Management received a request to prepare a local impact note outlining the impact of SF 5 (now Minnesota Laws 2013 Chapter 1) on Stearns County. Senate File 5 expands Medical Assistance (MA) eligibility and makes conforming changes to the Affordable Care Act.

Local impact notes are similar to the fiscal notes that you are familiar with, but they focus on the fiscal impact of proposed legislation on local governments rather than the state. This process is described in Minnesota Statutes 3.987 and 3.988. This statute requires Minnesota Management and Budget to gather and analyze information on local costs of legislation when requested by the chair or ranking minority member of the finance, taxes, or ways & means committees in the house and senate.

To estimate the impact on Stearns County of the changes included in SF 5, MMB consulted with staff at Stearns County Human Services to develop estimates regarding the cost to Stearns County that would be required under SF 5. Using this information and assumptions to project future costs, MMB estimated an increased cost to Stearns County of \$132,529 in FY 2014.

If you have any questions about the local impact note process feel free to contact Kerstin Larson, Executive Budget Officer at (651)201-8045 or kerstin.larson@state.mn.us.

cc: Senator Kathy Sheran
Legislative staff (electronic)

June 5, 2013

SF 5 (Sheran) Medical assistance (MA) eligibility modification; federal Affordable Care Act (ACA) definition and application; appropriation.

Explanation of the Bill

SF 5 expands medical assistance eligibility up to 133 percent of federal poverty guidelines (FPG) for parents, children ages 19 and 20, and single adults without children. It also makes federally required changes to the medical assistance program by implementing the use of the modified adjusted gross income (MAGI) eligibility methodology and a standard income disregard. It also transfers funds from the health care access fund to the general fund to pay for health care services provided under the MA program for these populations. The bill, which passed into law as Minnesota Laws 2013 Chapter 1, expands Medical Assistance enrollment by 36,000 average monthly enrollees in FY 2015.

| Local Fiscal Impact | | | | |
|--|----------------|----------------|----------------|----------------|
| Net Expenditure Increase (Decrease) | | | | |
| Dollars in Thousands, State Fiscal Years | | | | |
| | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> |
| Stearns County | 133 | 264 | 326 | 294 |

Medical Assistance is administered by counties. As a result, the medical assistance expansion will increase the number of enrollees in the program and may increase counties’ workloads to administer the program. The local impact note request for this bill was limited to the local impact on Stearns County, and estimates the impact of a larger MA caseload on the county. As such, this note may not be extrapolated to a statewide impact. This is a “best estimate” analysis based on existing information gathered from Stearns County sources.

This local impact note is limited in scope to the impact of SF 5 on Stearns County. Any other county-level impacts of other elements of health care reform, including the impact of the establishment of a Health Insurance Exchange, are therefore not included in this local impact note.

Local Impact Analysis Methodology:

To estimate the local government impact on Stearns County from the changes included in SF 5, MMB worked with Stearns County staff to determine county-level costs associated with the MA expansion. Because the expansion increases the number of MA enrollees that Stearns County will serve, they estimate costs in the areas of Gateway Services (intake operations), Community Supports, Office Support, Finance & Technology, and Administrative Services. Since Stearns County operates on a calendar year basis, the below assumptions are described on a calendar year basis. However, the fiscal estimates have been adjusted to reflect a state fiscal year estimate.

Assumptions:

- Counties must begin accepting applications as of October 1, 2013 for eligibility effective on January 1, 2014.
- The expansion of medical assistance will increase cases in Stearns County by approximately 618 in 2014, 1,503 in 2015, 1,658 in 2016 and 1,663 in 2017, based on the fiscal note completed for the bill (SF 5-1E with Senate amendment SCS0005A-6 incorporated). This document lists the increases for 2014-2017 due to the MA Expansion on a statewide basis. Stearns County has approximately 2.53% of the total MA cases. The above numbers were calculated by taking 2.53% of the estimated increase in each of the respective years.

- Salaries and benefits are calculated using the negotiated salary tables for years 2013, 2014 and 2015. For years 2016 and 2017, a 1% increase each year has been used.
- General operating costs are calculated using the 2013 budgeted costs for the respective unit by the total number of staff in that unit. For each year following, the amount is increased by 1%. For 2016 and 2017 the amounts are flat due to the assumption once the EDMS system is in place we should see some reduction in operating costs. The exception is in the Community Support area as mileage is included in this calculation and the EDMS system will not change the requirement to go out to the client.
- With the expansion of MA, additional persons will be eligible for waiver services. Because there is no additional waiver dollars; additional resources for this area have not been included. If additional waiver dollars are added this will need to be reviewed to determine if additional resources are needed in this area.

Gateway Services Estimate:

- Using a case bank model at Stearns County a Financial Worker can reasonably handle 500 cases. With the increase in cases for CY 2014 estimated at approximately 618, one additional financial worker position will be needed beginning in August of 2013. With the increase in cases for CY 2015 estimated at approximately 1,503, two additional financial worker positions will be needed.
- The estimated cost to train a new financial worker is \$3,500.
- Staff will be required to enter data into multiple systems due to the inability of the new system to interface with the existing financial systems. This will increase the need for overtime hours. Overtime is estimated to be 10% per financial worker in the Healthcare unit due to the dual entry. The calculation includes 52 hours per financial worker for CY 2013 (October – December) and 190 hours per financial worker for CY 2014 and CY 2015 (January – December).
- The State expects Counties to train existing staff on the new system. The training will be completed in house so training costs will consist of overtime costs for respective staff. The estimated time is 40 hours per financial worker in CY 2013.
- Stearns County Human Service’s electronic data management system is not expected to roll out until late 2014/early 2015. This will require hiring one additional process specialist until the system has been rolled out and working properly. This is due to the paper-based system that is currently used.
- In CY 2016 the Stearns County EDMS system and the State’s technology modernization is implemented. This will benefit the Gateway Services Division and they should see a decrease in overtime for the Healthcare Unit. It is anticipated overtime will reduce from a 10% increase to a 5% increase. Overtime is calculated at 95 hours per financial worker to compensate for the dual entry into systems.
- Stearns County will receive 75% FFP annually for the salary costs of the additional financial workers working with Healthcare.

Office Services Estimate:

- Stearns County anticipates an increase in telephone calls due to the MA Expansion and because Stearns County currently has a paper-based system, this increase will require hiring 1 additional process specialist in CY 2014.
- With 2 additional financial workers, it is estimated one additional Office Specialist III position will be needed to support the unit staff in Gateway Services in CY 2015.

Community Supports Estimate:

- With the expansion of MA, additional persons will be eligible for Chemical Dependency Treatment. This increase is estimated to be approximately 5%. Currently caseloads are at 433 per social worker. With the 5% increase this will increase the caseloads to approximately 455 per social worker. This will require an additional 0.5 social worker position in CY 2015.

Finance & Technology Estimate:

- With the expansion of MA, Stearns County should see an increase in persons receiving Cost Effective Health Insurance reimbursement. The estimated increase is approximately 150 cases in 2015. This would increase the caseload per Fiscal Services Specialist (FSS) to approximately 260. The maximum case load per FSS is estimated at 250. This will require one additional FSS position in CY 2015.

| Stearns County Human Services | | | | | |
|---|---------------------|----------------|----------------|----------------|----------------|
| Fiscal Estimate - Impact of MN Laws 2013 Chapter 1 - SF 5 - Medical Assistance Expansion | | | | | |
| Division | Description | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
| Gateway Services | Salaries & Benefits | 52,528 | 116,164 | 147,266 | 153,700 |
| | Overtime | 82,372 | 93,924 | 76,464 | 51,749 |
| | Training | 3,500 | 3,500 | 3,500 | - |
| | Equipment | 4,459 | 4,559 | 4,559 | - |
| | General Oper Costs | 1,135 | 2,507 | 3,769 | 3,769 |
| | Revenue Reimb - FFP | (39,396) | (87,123) | (110,450) | (115,275) |
| Office Services | Salaries & Benefits | 25,126 | 73,978 | 99,475 | 102,947 |
| | Equipment | 2,280 | 4,559 | 2,280 | - |
| | General Oper Costs | 525 | 1,586 | 2,121 | 1,591 |
| Community Supports | Salary & Benefits | - | 16,797 | 34,014 | 34,867 |
| | Equipment | - | 2,580 | 2,580 | - |
| | General Oper Costs | - | 249 | 500 | 505 |
| Finance & Technology | Salaries & Benefits | - | 27,525 | 56,076 | 58,084 |
| | Equipment | - | 2,280 | 2,280 | - |
| | General Oper Costs | - | 810 | 1,619 | 1,619 |
| Totals | | 132,529 | 263,891 | 326,051 | 293,555 |

As a result, Stearns County estimates its costs related to implementing SF 5 will be \$133 thousand in FY 2014, \$264 thousand in FY 2015, \$326 thousand in FY 2016, and \$294 thousand in FY 2017.

Sources:

James Stegura, Finance Director, Stearns County

Mark Sizer, Human Services Administrator, Stearns County Human Services

Dona Pederson, Division Director, Finance & Technology Director, Stearns County Human Services

Janet Goligowski, Division Director, Gateway Services Division, Stearns County Human Services

Mary Schmid, Division Director, Administrative Services Division, Stearns County Human Services