



**Date:** May 8, 2018

**To:** Representative Greg Davids, Chair  
Representative Paul Marquart  
Representative Jim Knobloch, Chair  
Representative Lyndon Carlson Sr.

Senator Roger Chamberlain, Chair  
Senator Ann Rest  
Senator Julie Rosen, Chair  
Senator Richard J. Cohen

**From:** Margaret Kelly, State Budget Director

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**Subject:** Local Impact Note Request: S.F. 3611 (Johnson) — Medical assistance (MA) work and community engagement requirements for able-bodied individuals establishment

On March 14, 2018, Minnesota Management and Budget received a request to prepare a local impact note on S.F. 3611 (Johnson) — Medical assistance (MA) work and community engagement requirements for able-bodied individuals establishment. We have completed our analysis on S.F. 3611 and a copy of the note is attached.

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 MMB to gather and analyze information on local costs of legislation when requested by the chair or ranking minority member of the House and Senate Tax committees, the Senate Finance committee, or the House Ways and Means committee.

Because Medical Assistance is a state-supervised, county-administered program in Minnesota, changes to the program often result in changes in county responsibilities. This is the case with S.F. 3611. MMB consulted with the Department of Human Services to understand the primary responsibilities of counties under the bill and found that counties would administer a number of processes. MMB then surveyed a selection of counties to estimate the per case cost of new responsibilities. Those costs were applied to statewide projections of the number of individuals impacted by the bill.

Based on our understanding of the bill, the implementation of work requirements is estimated to cost local governments \$121 million in calendar year 2020 and \$163 million in calendar year 2021. Costs will vary by county, and a number of factors may change statewide costs. The assumptions underlying this estimate are outlined in the note.

If you or your staff has any questions about the local impact note, feel free to contact Executive Budget Officer Ahna Minge at (651) 259-3690.

cc: Senator Mark Johnson  
Senator Michelle Benson  
Senator Tony Lourey  
Legislative Staff  
MMB Staff

May 8, 2018

**SF 3611 (Johnson)**

Medical assistance (MA) work and community engagement requirements for able-bodied individuals establishment

<b>Local Fiscal Impact</b>				
Net Expenditure Increase/Revenue Loss or (Expenditure Decrease/Revenue Gain)				
Dollars in Thousands, Calendar Years				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Statewide</b>	\$0	\$0	\$121,337	\$162,650

**Bill Description**

SF 3611 requires the commissioner of Human Services to submit a federal waiver to permit Minnesota to require employment or community engagement as a condition of medical assistance (MA) coverage. These requirements would apply to parents, adults without children, and children ages 19 and 20. The bill outlines a number of exemptions. Enrollees who are not exempt are required to meet the monthly work requirements beginning after three months of program eligibility. Enrollees must engage in at least 80 hours of work, community or public service, career planning, job training, or employment supports per month.

**Local Impact Methodology**

In consultation with the Department of Human Services (DHS) and counties, MMB identified the following major responsibilities for counties that would result from SF 3611:

- Processing and monitoring enrollee exemptions
- Managing and updating medical assistance benefits based on work requirements
- Monitoring compliance and providing employment and training services
- Managing appeals of adverse county determinations related to work requirements

To estimate the statewide local government impact of SF 3611, MMB:

- Collaborated with DHS and county social services administrators to identify impacts to local government
- Surveyed a sample of county social services agencies to estimate per case time for new processes
- Collaborated with DHS to estimate anticipated caseload for each new process
- Compiled county responses and calculated statewide averages, weighted by expected county caseload (responding counties contain almost 70 percent of enrollees that would be referred to counties under SF 3611)
- Extrapolated per case cost across forecast caseload to estimate the statewide local cost of implementing work and community engagement requirements as outlined in SF 3611

**Assumptions**

Of the individuals enrolled in MA in January 2018, DHS estimates that 398,000 enrollees were parents, adults without children, and children ages 19 and 20. Of the 398,000, 237,000 could be identified as exempt using data contained in the Minnesota Eligibility Technology System (METS). This analysis assumes the remaining 161,000 would be referred to counties for management. These numbers have been projected forward to 2020 and 2021 using trends in MA program growth. Also, in order to estimate the number of cases counties will process over

the course of a year, the point-in-time number is multiplied by 1.44 to reflect enrollees entering and leaving the MA program.

The analysis assumes that counties will review all cases for exemption criteria and process exemptions as appropriate. 70,000 of the 161,000 are expected to have approved exemptions as a result of this process.

Of the cases referred to counties, at any given time about 91,000 will be subject to work requirements and referred to employment and training service providers for compliance monitoring. Employment and training referral will take place in the METS system, which will communicate with a workforce system, referred to as Workforce2 (WF2). Enrollees will report compliance with work and community engagement requirements to an employment and training service provider, who will track compliance in WF2. This analysis assumes that the average cost of compliance monitoring and employment support provided by an employment and training service provider will be the same as the cost of employment and training services provided through the Minnesota Family Investment Program (MFIP).

WF2 will communicate cases of noncompliance to METS, which will prompt review of cases by county financial workers. METS will be modified to allow benefits to be “suspended,” rather than its current capacity to only open or close cases. At any given time, 20 percent of those subject to work requirements will have MA benefits suspended for noncompliance. On average, this analysis assumes each suspension will last four months. This means that of that group with suspended benefits, one-quarter is assumed to be newly suspended each month, with the same number having their benefits restored every month. As a result, the number of suspensions and reinstatements that counties will process every year is equal to three times the point-in time estimate.

Counties will be responsible for processing appeals of exemption determinations and benefit suspensions. This analysis assumes that ten percent of referrals for monitoring of work requirements and ten percent of benefit suspensions will be appealed. This is based on an estimate from DHS that in general ten percent of adverse actions are appealed.

This analysis assumes that activities related to MA benefit management are eligible for federal financial participation. Based on recent federal guidance, employment and training services are not assumed to be eligible for federal reimbursement. This analysis assumes the federal government will reimburse 59 percent of the cost for eligible activities. This is based on federal reimbursement to counties for MA activities during the fourth quarter of 2017 reported through a DHS-administered time study.

This analysis assumes an average hourly rate of \$49.81 for county financial workers based on county survey responses weighted by regional variation. This includes base salary, fringe benefits, and the cost of supervisor time based on an average staff to supervisor ratio.

### **Discussion of Local Costs**

The survey of counties found that on average counties expect it to take 53 minutes to process an exemption. Individual county responses range from as little as 20 minutes to as long as several hours to process a single exemption. Counties would be responsible for mailing forms to clients, processing forms, and tracking a client’s status in the system. Because the functionality does not currently exist in the METS system, counties based their estimates on the time required to manually verify other MA eligibility factors or to process exemptions in SNAP and MFIP. A number of factors influence this estimate, such as the workflow in the METS system and number of client contacts.

<b>Exemption Processing</b>	<b>CY2018</b>	<b>CY2019</b>	<b>CY2020</b>	<b>CY2021</b>
Point-in-Time Caseload Referred to Counties	161,000	159,798	161,532	162,853
Total Unique Caseload Referred to Counties			232,607	234,508
Phase-In Assumption			100.00%	100.00%
Number of Exemptions Processed by Counties			232,607	234,508
Total Minutes for Exemption Management (53 minutes per case)			12,328,146	12,428,930
Total Hours			205,469	207,149
<b>Total Cost (Hours *\$49.81)</b>			<b>10,234,416</b>	<b>10,318,084</b>
<i>Federal Reimbursement</i>			<i>(6,038,305)</i>	<i>(6,087,669)</i>
<b>Local Fiscal Impact</b>			<b>\$ 4,196,110</b>	<b>\$ 4,230,414</b>

The level of verification required for certain exemptions is not stated as explicitly as for some other economic assistance programs. One factor that could increase county workload is if medical exemptions require a face-to-face interview, like required for other economic assistance programs. If an interview is required, local costs could be \$1.475 million higher in 2020 and \$1.487 million higher in 2021.

#### *Employment Referral and MA Benefit Management*

Counties estimate that referring clients to employment and training service providers could take as little as two minutes to as much as 60 minutes per case. The weighted average of responses is 22 minutes. DHS assumes that these referrals will be made from METS to a new workforce development system. Because of lack of experience with that system, county estimates rely on experience making referrals for other programs.

<b>Employment Referral and MA Benefit Management</b>	<b>CY2018</b>	<b>CY2019</b>	<b>CY2020</b>	<b>CY2021</b>
Point-in-Time Number Subject to Work Requirements	91,000	90,321	91,301	92,047
Unique Referrals to Employment Service Provider			131,473	132,548
Phase-In Assumption			75.00%	100.00%
Number of Referrals with Phase-In			98,605	132,548
Total Minutes for Referrals (22 minutes per case)			2,169,309	2,916,057
Point-in-Time Number of Benefit Suspensions	18,200	18,064	18,260	18,409
Percent of Total Newly Suspended Per Month			25%	25%
Monthly Suspensions			4,565.04	4,602
Annual Suspensions			54,781	55,228
Phase-In Assumption			66.7%	100.0%
Number of Benefit Suspensions with Phase-In			36,520	55,228
Total Minutes for Benefit Suspensions (84 minutes per case)			3,067,709	4,639,182
Phase-In Assumption of Suspensions Reinstated			33.3%	100.0%
Number of Benefit Reinstatement with Phase-In			18,260	55,228
Total Minutes for Benefit Reinstatements (71 minutes per case)			1,296,472	3,921,214
Total Hours - All Functions			108,892	191,274
<b>Total Cost of Referrals and Suspensions (Hours*\$49.81)</b>			<b>5,423,886</b>	<b>9,527,369</b>
<i>Federal Reimbursement</i>			<i>(3,200,093)</i>	<i>(5,621,148)</i>
<b>Local Fiscal Impact</b>			<b>\$2,223,793</b>	<b>\$ 3,906,221</b>

Counties estimate that verifying noncompliance and suspending MA benefits would take between 30 minutes and four hours. The weighted average of responses is 84 minutes. After receiving a notice of noncompliance from an employment and training service provider, counties would review information that the county has on file to make sure it doesn't contradict reports from the employment and training service provider. Because the METS system does not currently have the functionality to suspend benefits, many counties relied on their experience closing cases in METS.

For enrollees whose benefits are reinstated, counties estimate that process will take five minutes to two hours to complete. Because the METS system does not currently have the functionality to suspend benefits, counties relied on their experience opening cases in METS. The weighted average of responses is 71 minutes.

*Work Requirement Compliance Monitoring and Employment and Training Services*

The implementation of work and community engagement requirements relies on monthly verification of compliance. This analysis assumes those verifications will be conducted by employment and training providers. In addition, SF 3611 requires the commissioner of Human Services, through county human services agencies, to provide a number of services to support employment. This survey asked counties to provide the average cost of employment and training services provided to MFIP clients. Most respondents provide employment services through contracts. The weighted average of responses was \$1,157 per recipient.

<b>Compliance Monitoring and Employment Services</b>	<b>CY2018</b>	<b>CY2019</b>	<b>CY2020</b>	<b>CY2021</b>
Point-in-Time Subject to Work Requirements	91,000	90,321	91,301	92,047
Total Unique Cases			131,473	132,548
Phase-In Assumption			75.0%	100.0%
Number of Cases Referred for Work Requirements			98,605	132,548
Average Cost of Compliance Monitoring and Employment Services			1,157	1,157
<b>Total Cost of Compliance Monitoring and Employment Services</b>			<b>\$114,085,915</b>	<b>\$153,358,114</b>

*Appeals*

Counties would be responsible for managing appeals stemming from the implementation of work and community engagement requirements. These determinations include denial of exemptions and suspension of benefits. Counties do not currently administer appeals for METS-related functions, so anticipated costs are based on experience administering appeals of other programs or other MA eligibility groups. Counties estimate that the average cost of processing an appeal is between \$70 and \$300. The weighted average of responses is \$150.

<b>Appeals</b>	<b>CY2020</b>	<b>CY2021</b>
Total Appealable Actions	135,125	187,776
Number of Appeals (10%)	13,513	18,778
Cost Per Appeal	\$150	\$150
<b>Total Cost of Appeals</b>	<b>2,026,879</b>	<b>2,816,646</b>
<i>Federal Reimbursement</i>	<i>(1,195,859)</i>	<i>(1,661,821)</i>
<b>Local Fiscal Impact</b>	<b>\$831,021</b>	<b>\$ 1,154,825</b>

*Total Fiscal Impact*

The total cost of the four responsibilities outlined in this document is \$121 million in calendar year 2020 and \$163 million in calendar year 2021.

<b>Total Cost</b>	<b>CY2020</b>	<b>CY2021</b>
Exemption Management	4,196,110	4,230,414
Employment Referrals and MA Benefit Management	2,223,793	3,906,221
Compliance Monitoring and Employment and Training Services	114,085,915	153,358,114
Appeals	831,021	1,154,825
<b>Total Local Fiscal Impact</b>	<b>\$121,336,840</b>	<b>\$ 162,649,575</b>

*Other Costs Not Estimated*

This analysis attempts to capture the direct cost to local government associated with administering work and community engagement requirements in MA. These costs are largely based on average hourly costs for county financial workers and anticipated costs of compliance monitoring through employment and training service providers. There are, however, other potential impacts to local government that are not included in the estimates above.

To the extent that this program results in fewer people covered by MA, local government may bear costs related to lower rates of insurance coverage. In their survey responses, counties remarked on higher costs in social services and corrections if current MA enrollees do not have access to health care.

Counties remarked that there will be additional costs related to training for new staff and expanding physical spaces. Similarly, this analysis does not capture costs to prepare for program implementation prior to January 1, 2020. Counties also noted the cost of hiring additional interpreters to explain work requirement process to impacted enrollees.

Implementation as described in this analysis relies on the timely implementation of changes to eligibility and case management systems. To the extent changes are not made in the time assumed, local government costs would be higher. Currently, systems do not have the ability to perform many of the functions described in this analysis. As a result, counties relied on experience of processing time for similar functions. However, there is potential for significant variability depending on how workflows are ultimately developed. In their responses, several counties noted issues with current functionality of the METS system. Some responses assume improvements will be made to METS prior to implementation of SF 3611. This analysis does not capture any costs to local government associated with changes in the prioritization of other planned IT projects.