

# FISCAL NOTE

**Bill #:** HB0222

**Title:** Expand CHIP for certain parents

**Primary Sponsor:** Michelle Lee

**Status:** As Introduced

Sponsor Signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2002 Difference</u></b>	<b><u>FY2003 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$55,794,677	\$78,207,007
Federal Special Revenue	9,144,441	9,154,599
TOTAL	\$64,939,118	\$87,361,606
<b>Net Impact on General Fund Balance:</b>	<b>(\$55,794,677)</b>	<b>(\$78,207,007)</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

## Fiscal Analysis

### ASSUMPTIONS:

#### GENERAL

1. The Children's Health Insurance Program (CHIP) is limited to state and federal appropriations and is not an entitlement program.
2. Under current law, only children in families with incomes at or below 150% of the federal poverty level, and satisfying certain other eligibility criteria, are eligible for services funded under the CHIP program.
3. Funding for CHIP eligible services in FY2002 would be 18.98% (state share) and 81.02% (federal share). Estimated funding in FY2003 would be 18.89% (state share) and 81.11% (federal share).

COST TO INCREASE CHIP ELIGIBILITY FOR CHILDREN TO 200% OF THE FEDERAL POVERTY LEVEL

4. An increase in CHIP eligibility from 150% to 200% of poverty would allow 16,443 children to be eligible for the CHIP program (based on projections from U.S. census information). It is estimated that 9,251 children would be covered under the current program (at 150%). Therefore, 7,192 additional children would be added by going up to 200%.
5. The current CHIP premium rate (excluding Mental Health Services Plan covered mental health costs for eligible children) is \$117.70 per month per child. The additional cost for the 7,192 children would be \$10,157,981 each year of the biennium ( $7,192 * 12 * \$117.70$ ).
6. There will be an additional cost for CHIP children between 150% and 200% of poverty for Mental Health Services Plan services. These are services provided above and beyond those mental health services covered under the regular CHIP benefit as a part of the \$117.70 monthly premium. At this time, the Department of Public Health and Human Services is not able to provide an estimate of this additional cost.
7. Under federal guidelines, no more than 10% of the CHIP grant may be used for administrative costs. The remaining 90% must be used to purchase services. This fiscal note anticipates using the full 10% in administrative funds each year of the biennium.
8. Administrative costs would include 3.00 FTE (grade 12 eligibility specialists each costing \$31,840 in salary and benefits during FY2002 and \$31,948 during FY2003), claims processing systems development and operations, rent and equipment (equipment is estimated at \$6,000 during FY2002 only). In addition, eligibility determination for the program will be a contracted service. The remaining operating costs are estimated to be \$1,027,145 in FY2002 and \$1,032,821 in FY2003 [ $(\$10,157,981 * .10 / .90) - \text{FTE costs} - \text{equipment}$ ]. Total administrative costs would be \$1,128,665 each fiscal year.
9. The funding for increasing CHIP eligibility for children to 200% of poverty will come from the federal CHIP grants for each respective year of the biennium and the required state match. However, the annual cost will exceed the available amount of block grant for each given state fiscal year, therefore the excess amount will be funded by using unspent balances from prior year CHIP block grants. (During implementation and until full enrollment of CHIP eligible children in the program was achieved, the state did not use all of the available federal block grant funds in their entirety. These balances are available for subsequent years expenditures, subject to certain restrictions.) During FY 2002 and FY 2003, there will be adequate carry forward funds to pay for children up to 200% of poverty. However, in subsequent years, once the carry forward funds are exhausted, the program will either need to be reduced to fit within the available federal block grant funding and state match, or the additional costs will need to be funded entirely from general fund.

DEMONSTRATION PROJECT TO ADD PARENTS OF CHIP AND MEDICAID CHILDREN

10. The department is directed to apply for a federal government waiver for a demonstration project.
11. Under current law, there is no federal or state authority available to support a demonstration program, which makes parents eligible under CHIP. Accordingly, this fiscal note assumes no revenue for these additional program expenditures.
12. If the federal government approves the demonstration program, then additional federal grant authority for CHIP will be provided to cover the additional eligible parents.

13. Implementation of this project is contingent on federal approval of the waiver and increased grant authority for this demonstration project. Federal regulations do not allow a waiver increasing services or eligibility unless cost neutrality is achieved. Cost neutrality is not a requirement that can be waived under federal regulations. If federal approval and increased grant authority are not granted, this portion of the project would require 100% general funds.

COST TO ADD COVERAGE FOR PARENTS OF MEDICAID AND CHIP ELIGIBLE CHILDREN IF DEMONSTRATION WAIVER IS APPROVED

14. Statistics from the Medicaid program indicate that in the Medicaid program there are 2.3 children for each parent.
15. There are 13,664 Medicaid children whose parents are not currently covered by Medicaid and would be eligible for the demonstration program. This would result in the addition of 5,941 parents eligible for the demonstration program due to the eligibility of their children for Medicaid and the provisions of this proposed legislation.
16. Eligibility for the CHIP program would increase to 200% of poverty. Utilizing U.S. census records it is estimated that there would be 16,443 children eligible for CHIP. The number of children per household is estimated to be approximately 1.95. Therefore there would be approximately 8,432 households with CHIP eligible children.
17. Based on U.S. Census data, the distribution of household by type is: two-parent households are 68% of households with children aged 0-18 years and single-parent households comprise approximately 28% of households with children aged 0-18 years. (The remaining households have caretaker relatives such as grandparents or other non-parent heads of household.) Therefore, 5,746 of the CHIP households would be two-parent (11,493 parents) and 2,336 of the households would be single parent. The total parents for CHIP eligible children who would be eligible for the demonstration program would be 13,829.
18. This will result in the addition of 19,770 adults covered under the CHIP program (5,941 + 13,829).
19. It is estimated that 70% of those eligible adults will be added in FY2002, and 100% in FY2003.
20. It assumed that the premium for adults would be approximately the same as the monthly premium rate for an individual state employee, which is \$288.60 per month or \$3,463.20 per year. In FY2002, 13,839 adults would be covered at a cost of \$47,927,225 ( $19,770 * 70\% * 12 * \$288.60 = \$47,927,225$ ). In FY2003, 19,770 adults would be covered at a cost of \$68,467,464 ( $19,770 * 12 * \$288.60$ ). Under current law, these costs are not eligible to be covered by CHIP, therefore they are 100% general fund.
21. Similar to administrative costs for children's coverage, the total administrative expense for adding adult services is assumed to be 10% of the total program and benefits will comprise 90%. Of the administrative amount, an additional 2.00 FTE (grade 12 eligibility specialists each costing \$31,840 in FY 2002 and \$31,948 in FY 2003) would be added, \$4,000 in equipment would be spent in FY 2002, and the remaining portion of the administrative costs would be in additional operational and systems costs. Eligibility determination for the program will be a contracted service. The total of these administrative costs would be \$5,325,247 in FY 2002 and \$7,607,496 in FY2003, and would be 100% general fund.
22. An additional \$400,000 in FY 2002 would be needed to cover the first year development costs and preparation of the application for the demonstration waiver. These costs would not be eligible for federal funding and would be entirely general funded.

FISCAL IMPACT-INCREASE ELIGIBILITY TO CHILDREN:

	FY2002 <u>Difference</u>	FY2003 <u>Difference</u>
FTE	3.00	3.00
<u>Expenditures:</u>		
Personal Services	\$ 95,520	\$ 95,844
Operating Expenses	1,027,145	1,032,821
Equipment	6,000	0
Benefits	<u>10,157,981</u>	<u>10,157,981</u>
TOTAL	\$11,286,646	\$11,286,646
<u>Funding:</u>		
General Fund (01)	\$ 2,142,205	\$ 2,132,047
Federal Special Revenue (CHIP) (03)	<u>9,144,441</u>	<u>9,154,599</u>
TOTAL	\$11,286,646	\$11,286,646
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$2,142,205)	(\$2,132,047)
Federal Special Revenue (CHIP) (03)	<u>(9,144,441)</u>	<u>(9,154,599)</u>
TOTAL	(\$11,286,646)	(\$11,286,646)

FISCAL IMPACT - PARENTS

	FY2002 <u>Difference</u>	FY2003 <u>Difference</u>
FTE	2.00	2.00
<u>Expenditures:</u>		
Personal Services	\$ 63,680	\$ 63,896
Operating Expenses	5,657,567	7,543,600
Equipment	4,000	0
Benefits	<u>47,927,225</u>	<u>68,467,464</u>
TOTAL	\$53,652,472	\$76,074,960
<u>Funding:</u>		
General Fund (01)	<u>\$ 53,652,472</u>	<u>\$ 76,074,960</u>
TOTAL	\$ 53,652,472	\$ 76,074,960
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	<u>(\$53,652,472)</u>	<u>(\$76,074,960)</u>
TOTAL	(\$53,652,472)	(\$76,074,960)

TECHNICAL NOTES:

1. If children and adults are covered under the program, funds available to refinance mental health would be reduced.
2. Currently, no state has been able to add coverage for adults to their CHIP program.