



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0100

Title: Provide for the welfare fraud prevention act

Primary Sponsor: Smith, Cary

Status: As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	(\$3,407,935)	(\$4,412,669)	(\$4,797,917)	(\$4,772,325)
State Special Revenue	(\$4,686,089)	(\$4,813,415)	(\$4,811,839)	(\$4,809,456)
Federal Special Revenue	(\$16,636,650)	(\$17,556,918)	(\$17,951,469)	(\$17,913,733)
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	(\$16,636,650)	(\$17,556,918)	(\$17,951,469)	(\$17,913,733)
Net Impact-General Fund Balance:	<u>\$3,407,935</u>	<u>\$4,412,669</u>	<u>\$4,797,917</u>	<u>\$4,772,325</u>

Description of fiscal impact: SB 100 directs the Department of Public Health and Human Services (DPHHS) to increase and change the electronic sources and methods of verifying identity and eligibility for public assistance programs. It also requires an external verification process for the identity and the information used to determine eligibility of each applicant and recipient of public assistance by DPHHS, including discrepancy resolution and requires reoccurring reports to the Governor, Legislature and Legislative auditor offices on general data and findings related to the eligibility verification system. The Department of Justice has increased costs associated with increased caseload for suspected welfare fraud investigations.

FISCAL ANALYSIS

Assumptions:

Department of Public Health and Human Services

1. General

- a. The department assumes that the following programs would be subject to all requirements of SB100 as written; SNAP, TANF, Medicaid, CHIP, Vocational Rehabilitation Services, Weatherization, and Low

Income Energy Assistance Program. The following additional department programs would be required to participate in verification activities; Child Support Services and Child Care.

- b. DPHHS will pursue Medicaid state plan waiver changes to discontinue all continuous eligibility and SNAP “simplified reporting” policies.
- c. SB 100 requires the department and vendor to establish annualized savings realized from the implementation of a computerized income, asset, and identity eligibility verification system (verification system).

2. Technology Services

- a. New Section 2 of SB 100 requires the department to establish or procure a computerized income, asset, and identity eligibility verification system to assist and enhance the agency’s ability to deter of waste, fraud, and abuse of public assistance programs.
- b. The development of a computerized income, asset, and identity verification system to meet the requirements of SB 100 would consist of the need for the following contracted services:
 - i. Project Planning – The department would contract with an independent contractor to assist with the development of an Alternative Analysis, Feasibility Study, and a Request for Proposal (RFP) for the project. This process includes requirements analysis of what would be needed in a system to meet the requirements of SB 100, including any third-party system interfaces, to go into the RFP; an alternative analysis to determine possible alternatives to developing a new system, purchasing a commercial off the shelf product (COTS), or enhancing an existing system; and a feasibility study to determine the feasibility of the project.
 - ii. Project Management - It is standard industry IT practice that for development of a system of the size and scope of the one necessary to meet the requirements of SB 100, there be project management to oversee the coordination of the various aspects, processes, and steps necessary to successfully complete the project. A project manager would work with the RFP contractors, the development contractor and agency staff to coordinate the project, lead requirements meetings, review and assist with the writing of the RFP, and the development contract; manage the progress of the project, including the project schedule and deliverables; and assist with ensuring that the project is on schedule and within budget.
 - iii. Design, Development and Implementation (DDI) – the DDI contractor is the one that completes the requirements identified in the RFP and the statement of work for the system, including any necessary interfaces with existing systems to gather and coordinate information gathering and verifications.
- c. DPHHS will implement the requirements of the bill as quickly as possible and estimates that the full length of time necessary to properly determine requirements and scope of the project and for the design, development and implementation of the system will be two years.
- d. Project planning including the writing of systems requirements specification, requirements traceability matrix documentation, and the writing of an RFP for any identified services, including evaluation criteria and an evaluation plan, and other planning activities are estimated to take approximately six months. Costs for this service are estimated to be \$350,000.
- e. Project Management contracted services are estimated to be \$30,000 per month and are estimated to last the 18 months of the project for a total cost of \$540,000.
- f. DPHHS utilizes the Combined Health Information and Montana Eligibility System (CHIMES) platform for eligibility determination for Medicaid, Healthy Montana Kids, TANF, and SNAP benefits. This is an enterprise architecture platform that allows for the sharing of common client information, business processes, and payment processing. It is assumed that CHIMES will be the main point of integration for all programs impacted by the bill. Significant enhancements would need to be made to this system as well as the enterprise platform to add and/or update/expand existing interfaces to interact with data sources, provide for downstream business process and updated business rules. Enhancement work will require approximately 7,440 hours of

programming time at a cost of \$125 per hour for a total cost of \$930,000.

- g. SB 100 identifies several department systems that would be required to share data as part of the enhanced verification process. Interfaces between these systems and CHIMES will need to be added and/or updated. It will take approximately 3,100 programming hours to add and/or update interfaces to these systems at a cost of \$125 per hour – based on costs of existing contract - for a total cost of \$387,500.
- h. Based on the requirements in SB 100, this analysis assumes the department would need to obtain and integrate several new data sources outlined in Section 3. Based on prior experience with vendors that provide similar types of data and integration services the department estimates that the additional data integrations would cost \$715,000 to implement.
- i. New Section (3)(2)(e) requires the department to match identity information against national and local financial institutions in order to locate undisclosed assets. This asset verification is separate from the initial asset verification processed under the above identified system due to the specific nature of interfacing with and researching financial institutions and laws governing the sharing of this private information. Additionally, there is no provision in the bill to perform this task only for programs where assets are a component of the eligibility determination. The department currently has an active asset verification implementation for the Medicaid Aged, Blind and Disabled population. This integration would need to be expanded at an estimated cost of \$400,000 to include the additional programs.
- j. New Section, Section 4 requires an enhanced identity authentication process including an identity quiz through multiple channels. This will require updating CHIMES worker and client portal to interface with an identity solution and necessary system workflows to respond to the quiz. This functionality will be reused for other programs needing to meet the requirements of this bill. It is estimated to take 1,450 hours at \$125 hour for a cost of \$181,250.
- k. This analysis assumes the requirement of 1.00 FTE business analyst for the management of the maintenance and operations contract and activities of these systems. Salary and benefits for this position are estimated to be \$81,468. One-time-only office set up costs are estimated to be \$2,800, and operating costs associated with the FTE are estimated at 3% of personal services.
- l. The ongoing cost of contract(s) to receive the necessary data required in this bill is estimated to be \$600,000 annually.
- m. Annual costs for personal services and maintenance and operations are estimated to increase by 1.5% in FY 2024 and FY 2025.
- n. Federal A-87 regulations require that the development of IT systems be cost allocated appropriately between the benefiting systems. Information systems development is considered an administrative function under SNAP, TANF and Medicaid. Current funding for federal participation under SNAP is 50%, and under TANF is 53%. Federal participation for Medicaid administrative costs, including program integrity which this activity falls under, is 50%. For purposes of this fiscal note, funding for this system development assumes that all three public assistance programs would benefit equally from the activity required in SB 100. Therefore, the estimated funding mix for the IT work necessary to enact SB 100 is 49% general funds and 51% federal funds.
- o. New Section 7 requires electronic release of Medicaid provider information. Programming changes, estimated at 100 hours, will be required in the DPHHS Enterprise Data Warehouse (EDW) to provide the information required in an electronic format. Current estimate of contracted programming time is \$110 per hour – based on cost of existing contract. Total estimated cost to meet the requirements of this section of SB 100 is \$11,000. The DPHHS EDW is funded at an enhanced Medicaid rate of 25% general funds and 75% federal funds.

3. Disability Employment and Transitions Division

- a. The Vocational Rehabilitation and Blind Services (VRBS) and Pre-Employment Transitions (Pre-ETS) program serve approximately 6,500 clients annually; and the Montana Telecommunications

Access Program (MTAP) serves approximately 800 clients annually. Total number of clients served is estimated at 7,300 annually.

- b. The identity verification for new applicants and current recipients is estimated to take 7 minutes per individual to verify which would equate to 3,406 hours of staff time or 1.6 FTE (7,300 clients x 7 minutes per client x 4 quarterly verifications per year). Additionally, it is estimated the percentage to resolve discrepancies in the identity system would equate to an additional 1.4 FTE (7,300 clients x 20% with a discrepancy x 30 minutes to resolve discrepancy x quarterly verifications per year = 2,920 hours). In total, the additional staff hours would require 3.0 FTE Human Services Specialists. Salary and benefits for 3.00 FTE are estimated at \$66,691 per FTE, one-time-only cost for office setup costs are estimated to be \$2,800 per FTE, and operating costs associated with the FTE are estimated at 3% of personal services.
- c. Annual costs for personal services and maintenance and operations are estimated to increase by 1.5% in FY 2024 and FY 2025.
- d. Per 34 CR 361.41 eligibility determinations for Vocational Rehabilitation services must be made within 60 days. This eligibility determination process involves staff needing to obtain and review an applicant's full medical record and occasionally sending the applicant for medical evaluation. Full and legal eligibility determination within 10 days is not feasible.
- e. Under Section 2, part 4 of SB 100, no annual savings will occur. See the technical note #1 below for further explanation.
- f. Funding for VRBS is 21.3% general fund and 78.7% federal. Funding for MTAP is 100% state special revenue.

4. Human and Community Services Division

- a. The Department will need to review and act on any discrepancies found between the identity information provided by an applicant and one of the databases listed in Sections 3 and 4.
 - i. In calendar year 2019, there were 96,262 new applications for SNAP/TANF/Medicaid, and all new applications would be checked against databases in Section 3 and 4. In addition, there was an average ongoing caseload of 161,046 cases. These cases will be validated against the databases in section 3 and 4 on a quarterly basis.
 - ii. Based on discrepancy rates of existing interfaces that the department uses to verify eligibility, it is estimated that 20% of cases will have a discrepancy at initial application and each quarter. An average of 15 minutes is needed to review, document and dispose of a discrepancy. This work would result in the need of an additional 17.0 FTE Client Service Coordinators and 2.0 FTE Client Service Supervisors.
- b. New Section 6 will end continuous eligibility for all children (Medicaid and CHIP), as well as for adults on Medicaid Expansion or Parent/Caretaker Relative Medicaid. In addition, Montana's SNAP program would change from a "simplified reporting" state to a "change report state". These changes coupled with quarterly verification checks would result in a significant increase in caseload churn for both SNAP and Medicaid. Churn is defined as an individual exiting a program and re-entering the program within 4 months. The USDA has published statistics that the churn in the SNAP caseload ranges from 17%-28%. The Department estimates SB 100 would result in an additional 20% churn rate for Medicaid and Medicaid/SNAP combination cases. Medicaid/SNAP average caseload is 156,490 case. A 20% churn rate would result in a submission of 31,298 additional applications a year. A new application on average takes one hour to work. This work would result in the need of an additional 15.0 FTE Client Service Coordinators and 2.0 FTE Client Service Supervisors.
- c. One-time computer equipment and office furniture in FY 2022 is estimated at \$100,800, and operating costs associated with the FTE are estimated at 3% of personal services.

- d. Additional office space would be needed for the 32 Client Service Coordinators, and 4 Client Service Supervisors. This would require an additional 10,800 square feet at \$17.32 per square foot. (10,800 x \$17.32 = \$187,056 per year).
 - e. Annual costs for personal services and maintenance and operations are estimated to increase by 1.5% in FY 2024 and FY 2025.
 - f. Funding for the Client Service Coordinators, and Client Service Supervisors would be 34.83% general fund, 4.06% State Special, and 61.11% Federal.
 - g. Human Resource Development Councils (HRDCs) are sub-contracted by DPHHS to perform all LIEAP eligibility determinations. Federal regulations cap administrative costs at 10% of the LIEAP allocation, inclusive of state and sub-contractors. The department is currently at the 10% maximum. The requirements of SB 100 would require adding additional staff at the HRDCs to conduct the increased verifications and shorter time for application processing. HRDCs would have to supplement these added staffing costs from other monies.
 - h. Most of the programs paying public assistance benefits are expected to have a savings in benefits as a result of some unknown amount of ineligible recipients being removed. The cost savings is not estimable for SNAP benefits, TANF Cash Assistance, Medicaid, and LIEAP programs.
5. Changes to Public Assistance Benefits
- a. In 2014 CMS estimated that continuous enrollment policies increase coverage continuity by 2.6%. DPHHS is assuming that discontinuation of continuous eligibility policies for children and adults covered by Montana Medicaid will have an equivalent coverage loss. The table below shows the estimated annual impact for general fund, state special, and federal funds.

Estimated Annual Changes to Enrollment and Medicaid Expenses								
	Average Monthly Enrollment	2.6% Enrollment Reduction	2.6% Reduction Months of Coverage	Average Cost Per Month	Annual Benefit Change	General Fund	State Special Funds	Federal Funds
Children	97,113	(2,525)	(30,299)	\$ 326	\$ (9,877,557)	\$ (2,405,247)	\$ (801,749)	\$ (6,670,561)
Adults - Standard Medicaid	19,351	(503)	(6,038)	\$ 479	\$ (2,891,968)	\$ (704,212)	\$ (234,737)	\$ (1,953,018)
Adults - Medicaid Expansion	100,592	(2,615)	(31,385)	\$ 592	\$ (18,579,745)	\$ (1,288,970)	\$ (429,657)	\$ (16,861,118)
			(67,721)		\$ (31,349,270)	\$ (4,398,429)	\$ (1,466,143)	\$ (25,484,698)

- b. Discontinuation of continuous eligibility policies for adults covered under Medicaid Expansion will eliminate a transfer of expenditures from Medicaid Expansion FMAP (10 percent state share) to Standard FMAP (35.1 percent state share). The table below shows the estimated annual impact for general fund, state special, and federal funds.

Continuous Eligibility Charge Estimates				
	SFY 2022	SFY 2023	SFY 2024	SFY 2025
Forecasted Medicaid Expansion Expenditures	\$ 809,258,969	\$ 824,664,990	\$ 824,664,990	\$ 824,664,990
2.6% of Expenditures	\$ 21,040,733	\$ 21,441,290	\$ 21,441,290	\$ 21,441,290
Standard FMAP - State Share	35.1%	35.1%	35.1%	35.1%
Medicaid Expansion FMAP - State Share	10.0%	10.0%	10.0%	10.0%
FMAP Difference	25.1%	25.1%	25.1%	25.1%
General Fund	\$ (1,925,388)	\$ (1,903,528)	\$ (1,903,528)	\$ (1,903,528)
State Special	\$ (3,355,836)	\$ (3,478,235)	\$ (3,478,235)	\$ (3,478,235)
Federal Fund	\$ 5,281,224	\$ 5,381,763	\$ 5,381,763	\$ 5,381,763
Total	\$ -	\$ -	\$ -	\$ -

- c. It is assumed that Montana’s SNAP program changing from a “simplified reporting” state to a “change

report state” would result in a reduction of benefit expenditures. The cost savings is not estimable for SNAP benefits, and the savings are 100% federal funds.

- d. LIEAP, Weatherization and commodity food programs would not experience a reduction in 100% federal expenditures or supplies. Any decreases in individual member participation would be reallocated based on formula changes or used to provide services to additional participants on waiting lists.

Department of Justice (DOJ)

- 6. There will be an estimated 50 cases of suspected welfare fraud referred to the Department of Justice each year.
- 7. A crime investigator can handle 25 cases per year due to the time required to gather evidence. The increased caseload would result in the need for an additional 2.0 FTE Crime Investigators. The personal services costs for 2.0 FTE are \$155,032 per year for FY 2022 and FY 2023. Operating expenses for the additional FTE would be approximately \$20,637 in FY 2023, with \$8,654 of those costs being OTO and \$11,983 ongoing.
- 8. Each crime investigator agent would require travel, lodging and meals for investigations, approximately 48 days per year. The estimated travel related costs for investigations would result in an expenditure of \$13,296 in FY 2022 and FY 2023.
- 9. Due to the amount of travel, each agent would require a vehicle, personal protective gear, and field interview equipment. Total equipment expenses for two agents is \$70,000 for FY 2022.
- 10. Annual costs for personal services and operations are estimated to increase by 1.5% in FY 2024 and FY 2025.

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	42.00	42.00	42.00	42.00
<u>Expenditures:</u>				
Personal Services	\$2,845,712	\$2,847,582	\$2,881,791	\$2,933,650
Operating Expenses	\$3,702,884	\$1,718,686	\$906,254	\$1,005,226
Benefits	(\$31,349,270)	(\$31,349,270)	(\$31,349,270)	(\$31,349,270)
TOTAL Expenditures	<u>(\$24,730,674)</u>	<u>(\$26,783,002)</u>	<u>(\$27,561,225)</u>	<u>(\$27,410,394)</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	(\$3,407,935)	(\$4,412,669)	(\$4,797,917)	(\$4,772,325)
State Special Revenue (02)	(\$4,686,089)	(\$4,813,415)	(\$4,811,839)	(\$4,809,456)
Federal Special Revenue (03)	(\$16,636,650)	(\$17,556,918)	(\$17,951,469)	(\$17,913,733)
TOTAL Funding of Exp.	<u>(\$24,730,674)</u>	<u>(\$26,783,002)</u>	<u>(\$27,561,225)</u>	<u>(\$27,495,514)</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	(\$16,636,650)	(\$17,556,918)	(\$17,951,469)	(\$17,913,733)
TOTAL Revenues	<u>(\$16,636,650)</u>	<u>(\$17,556,918)</u>	<u>(\$17,951,469)</u>	<u>(\$17,913,733)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$3,407,935	\$4,412,669	\$4,797,917	\$4,772,325
State Special Revenue (02)	\$4,686,089	\$4,813,415	\$4,811,839	\$4,809,456
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

Technical Notes:

1. Under the Code of Federal Regulations (CFR), regulations require under 2 CFR 200.406 that any credits that offset or reduce federal expenses, such as recoveries or indemnities on losses, must be credited to the federal award. As such the vendor would need to reimburse the department for any recoveries so that the department could credit the appropriate federal program. Under SB 100, Section 2(4), there would be no available savings equal to or greater than the cost to the state of implementing the verification system. As such, only the fee per applicant provision under SB 100, Section 2(5) would be available as income to the vendor.
2. Pursuant to New Section 5(6)(b) of SB 100, the department would only have the ability to correct errors on state-owned databases.
3. In general, many of the services provided under VRBS are not benefit payments, but rather are services provided by agency staff such as job coaching, transportation, training, and counseling. These types of costs may not be recoverable if a change in eligibility is discovered based on SB 100.
4. Eligibility for Vocational Rehabilitation services, by law, is based solely on an individual having a disability. For certain types of services, a financial means test may be applied, but for others, this is not legal per 34 CFR 361.54.
5. Per ARM 37.30.405 Individuals with disabilities who receive Social Security Old Age, Survivors and Disability Insurance (OASDI) or Supplemental Security Income (SSI) benefits under Titles II and XVI of the Social Security Act are not responsible for paying the costs for the provision of any Vocational Rehabilitation services
6. New Section 3 states “The department shall process an application for public assistance within 10 days or the minimum period required by federal law.” Since there is no “minimum period” in federal law in these programs, the 10-day requirement would apply to all public assistance programs. The Department assumes “process” means that an application has been reviewed for completeness and has been evaluated against the databases in Section 3, and based on this information the application has been either approved or denied, or has resulted in a request of additional information to the applicant.

NO SPONSOR SIGNATURE

Sponsor's Initials

1/20/21
Date

KA
Budget Director's Initials

1/18/21
Date