



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 Amended

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 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	(\$1,408,732)	(\$2,080,058)	(\$2,315,375)	(\$2,305,759)
State Special Revenue	(\$3,916,270)	(\$4,039,898)	(\$4,039,499)	(\$4,038,898)
Federal Special Revenue	(\$3,416,133)	(\$3,968,123)	(\$4,213,414)	(\$4,202,583)
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	(\$3,416,133)	(\$3,968,123)	(\$4,213,414)	(\$4,202,583)
Net Impact-General Fund Balance:	<u>\$1,408,732</u>	<u>\$2,080,058</u>	<u>\$2,315,375</u>	<u>\$2,305,759</u>

Description of fiscal impact: SB 100, as amended, 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 certain public assistance programs. It also requires an enhanced 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 amended bill narrows the scope of the operations and IT systems impacted from the previous version. In addition, it requires semi-annual and annual verification of eligibility factors rather than quarterly verification, as required in the previous version.

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 for Adults determined using MAGI methodology, and CHIP.

- b. DPHHS will pursue Medicaid and CHIP state plan waiver changes to discontinue 12-month continuous eligibility for the groups identified in Section 2 of SB 100.
2. Technology Services
 - a. New Section 2 of SB 100 requires the department to establish or procure a computerized enhanced eligibility verification system to assist and enhance the agency's ability to deter errors, omissions, 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 services:
 - i. Project Planning, Project Management and Business analysis - It is standard industry IT practice that for development of system changes of the size and scope 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 contractors, federal and state agencies and agency staff to coordinate the project, lead requirements meetings, review and assist with the writing of any necessary RFP(s), and the development of 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.
 - ii. Design, Development and Implementation (DDI) – the DDI contractor is responsible for completing 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 exchange 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 and project management, including writing systems requirements specification, requirements traceability matrix documentation, and an RFP for any identified services, including evaluation criteria and an evaluation plan, and other project management services throughout the project are expected to last for 24 months. Contracted costs are estimated to be \$350,000.
 - e. DPHHS utilizes the Combined Health Information and Montana Eligibility System (CHIMES) platform for eligibility determination for the public assistance programs subject to the requirements of SB 100. This is an enterprise architecture platform that allows for the sharing of common client information, business processes, and payment processing. 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.
 - f. The department assumes that 12 additional data exchanges would need to be built to meet the requirements of SB 100 identified in Section 3(1). The data in this section is held by government agencies. The department assumes the data from these government agencies would be obtained at little to no cost. One-time costs for data integration costs would be required. If the access to the data is not available at no cost, additional expenses to acquire the data sets would be incurred.
 - g. It is assumed that the department will build full data bi-directional exchanges for 7 of the data sources. Each exchange will take 605 hours of contracted programming time at a cost of \$125 per hour for a total cost of \$529,375. The department will develop file-based exchanges for 5 of the data sources. Each exchange will take 200 hours of contracted programming time at a cost of \$125 per hour for a total cost of \$125,000. The total CHIMES cost for the 12 new data exchanges is estimated to be 5,235 hours at a cost of \$125 per hour for a total cost of \$654,375.
 - h. The department assumes that 1 additional data exchange will need to be built in CHIMES to obtain data in Section 3(3) related to physical asset ownership. This exchange will require 605 hours of

contracted programming cost at a cost of \$125 per hour for a total cost of \$75,625.

- i. This analysis assumes the department would need to procure and integrate the physical asset ownership data in Section 3 (3). It is assumed this data would be used for TANF eligibility purposes. 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 \$399,415 to implement.
 - j. The ongoing cost of contract(s) to receive the necessary physical asset data is estimated to be \$230,000 annually based on a current procured contract with similar data.
 - k. SB 100 identifies two department systems related to Child Support and Child Care 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 1,210 programming hours to add and/or update interfaces to these systems at a cost of \$125 per hour – based on costs of an existing contract - for a total cost of \$151,250.
 - l. New Section (3)(2)(e) requires the department to match identity information against national and local financial institutions in order to locate undisclosed assets. The department currently has an active asset verification implementation for the Medicaid Aged, Blind and Disabled population. The department would need to include the TANF program as part of this interface. This would need to be expanded at an estimated cost of \$30,000 to include the additional program.
 - m. New Section 4 requires an enhanced identity authentication process. This will include enabling already integrated identity proofing services available through the Federal Data Services Hub as part of the application for the programs identified in [Section 2]. It is estimated to take 150 hours at \$125 hour for a cost of \$18,750. There is no ongoing cost for this data.
 - n. Annual costs for personal services and maintenance and operations are estimated to increase by 1.5% in FY 2024 and FY 2025.
 - o. 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.
 - p. 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. 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 92,007 new applications for the programs outlined in Section 2, and all new applications would be checked against databases in Sections 3 and 4. In addition, there was an average ongoing caseload for these programs of 110,523 cases. These cases will be validated against the databases in Section 3 at least every 6 months.
 - 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 at verification checks every 6 months. An average of 15 minutes is needed to review, document, and resolve

a discrepancy. This work would result in the need for an additional 7.0 FTE Client Service Coordinators and 1.0 FTE Client Service Supervisor.

- b. New Section 6 will end 12-month continuous eligibility for CHIP children, as well as for adults on Medicaid Expansion or Parent/Caretaker Relative Medicaid. This change will result in a significant increase in caseload churn for both Medicaid and CHIP. Churn is defined as an individual exiting a program and re-entering the program within four months. The department estimates SB 100 would result in an additional 20% churn rate for the applicable Medicaid and CHIP cases. A 20% churn rate would result in a submission of 6,967 additional applications a year. A new application takes one hour to work, on average. This work would result in the need of an additional 3.0 FTE Client Service Coordinators.
 - c. One-time computer equipment and office furniture in FY 2022 is estimated at \$30,800, and operating costs associated with the FTE are estimated at 3% of personal services.
 - d. Additional office space would be needed for the ten Client Service Coordinators, and one Client Service Supervisors. This would require an additional 3,300 square feet at \$17.32 per square foot. (3,300 x \$17.32 = \$57,156 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. Most of the programs paying public assistance benefits are expected to have a savings in benefits as a result of some unknown number of ineligible recipients being removed. The cost savings is not estimable for SNAP benefits, TANF Cash Assistance, and Medicaid.
4. Changes to Public Assistance Benefits
- a. In 2014 CMS estimated that continuous enrollment policies increase coverage continuity by 2.6% for a 12-month period. DPHHS is assuming that a change of continuous eligibility policies for CHIP children and adults covered by MAGI based Montana Medicaid from 12 months to 6 months will have an equivalent coverage loss of 1.3%. 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	1.3% Enrollment Reduction	1.3% Reduction Months of Coverage	Average Cost Per Month	Annual Benefit Change	General Fund	State Special Funds	Federal Funds
Children - CHIP	21,312	(277)	(3,325)	\$ 323	\$ (1,073,869)	\$ -	\$ (262,561)	\$ (811,308)
Adults - Standard Medicaid	19,351	(252)	(3,019)	\$ 479	\$ (1,445,984)	\$ (352,106)	\$ (117,369)	\$ (976,509)
Adults - Medicaid Expansion	100,592	(1,308)	(15,692)	\$ 592	\$ (9,289,872)	\$ (644,485)	\$ (214,828)	\$ (8,430,559)
			(22,036)		\$ (11,809,726)	\$ (996,591)	\$ (594,758)	\$ (10,218,376)

- 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	\$ -	\$ -	\$ -	\$ -

Department of Justice (DOJ)

5. There will be an estimated 50 cases of suspected welfare fraud referred to the Department of Justice each year.
6. 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.
7. 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.
8. 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.
9. Annual costs for personal services and operations are estimated to increase by 1.5% in FY 2024 and FY 2025.

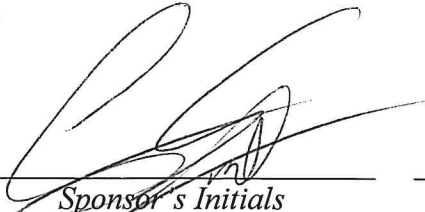
	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	13.00	13.00	13.00	13.00
<u>Expenditures:</u>				
Personal Services	\$890,425	\$890,935	\$901,978	\$917,864
Operating Expenses	\$2,108,166	\$830,712	\$339,460	\$344,622
Benefits	(\$11,809,726)	(\$11,809,726)	(\$11,809,726)	(\$11,809,726)
TOTAL Expenditures	(\$8,741,135)	(\$10,088,079)	(\$10,568,288)	(\$10,547,240)
<u>Funding of Expenditures:</u>				
General Fund (01) (DPHHS)	(\$1,667,697)	(\$2,260,369)	(\$2,498,390)	(\$2,491,520)
General Fund (01) (DOJ)	\$258,965	\$180,311	\$183,015	\$185,761
State Special Revenue (02)	(\$3,916,270)	(\$4,039,898)	(\$4,039,499)	(\$4,038,898)
Federal Special Revenue (03)	(\$3,416,133)	(\$3,968,123)	(\$4,213,414)	(\$4,202,583)
TOTAL Funding of Exp.	(\$8,741,135)	(\$10,088,079)	(\$10,568,288)	(\$10,547,240)
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	(\$3,416,133)	(\$3,968,123)	(\$4,213,414)	(\$4,202,583)
TOTAL Revenues	(\$3,416,133)	(\$3,968,123)	(\$4,213,414)	(\$4,202,583)

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$1,408,732	\$2,080,058	\$2,315,375	\$2,305,759
State Special Revenue (02)	\$3,916,270	\$4,039,898	\$4,039,499	\$4,038,898
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

Technical Notes:

- 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.


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2/22/21

Sponsor's Initials
Date
Budget Director's Initials
Date