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Fiscal Note

2021-2022 Legislative Session

HF521 - 0 - Medical Assistance Postpartum Coverage Extension

Chief Author: **Kelly Morrison**
 Committee: **Health Finance and Policy**
 Date Completed: **3/2/2021 1:56:23 PM**
 Agency: **Human Services Dept**

| State Fiscal Impact | Yes | No |
|---------------------------|-----|----|
| Expenditures | X | |
| Fee/Departmental Earnings | | X |
| Tax Revenue | | X |
| Information Technology | X | |
| Local Fiscal Impact | | X |

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

| State Cost (Savings) | Biennium | | | Biennium | | |
|-----------------------|----------------------|--------------|--------------|---------------|---------------|---------------|
| | Dollars in Thousands | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
| General Fund | - | 1,532 | 7,295 | 14,474 | 14,893 | |
| Total | - | 1,532 | 7,295 | 14,474 | 14,893 | |
| Biennial Total | | | 8,827 | | | 29,367 |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|----------|----------|----------|----------|
| | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
| General Fund | - | 2 | 2 | 2 | 2 |
| Total | - | 2 | 2 | 2 | 2 |

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note assumes an implementation date of July 1, 2022.

LBO Signature: Steve McDaniel **Date:** 3/2/2021 1:56:22 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

| State Cost (Savings) = 1-2 | | Biennium | | | Biennium | |
|--|---|-----------------|--------------|--------------|-----------------|---------------|
| Dollars in Thousands | | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
| General Fund | - | 1,532 | 7,295 | 14,474 | 14,893 | |
| Total | | - | 1,532 | 7,295 | 14,474 | 14,893 |
| Biennial Total | | | 8,827 | | | 29,367 |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| General Fund | - | 1,532 | 7,295 | 14,474 | 14,893 | |
| Total | | - | 1,532 | 7,295 | 14,474 | 14,893 |
| Biennial Total | | | 8,827 | | | 29,367 |
| 2 - Revenues, Transfers In* | | | | | | |
| General Fund | - | - | - | - | - | |
| Total | | - | - | - | - | - |
| Biennial Total | | | - | | | - |

Bill Description

Section 1 of this bill amends the Medical Assistance (MA) eligibility for pregnant women to include 365 days postpartum; eligibility for pregnant women including 60 days postpartum is in current law.

Section 2 of this bill changes the postpartum period after which eligibility for MA programs must be verified from 60 days to 365 days in accordance with Section 1.

Section 3 of this bill changes the MA eligibility for pregnant noncitizens from including 60 days postpartum to including 365 days postpartum.

Section 4 of this bill allows the commissioner of human services to seek federal waivers and approvals necessary to implement the previous sections.

Assumptions

The effective date for Sections 1-3 of the bill is January 1, 2022; those who are pregnant or in the 60 day-postpartum period on that date would receive the eligibility extension in addition to those who become eligible for the MA pregnant women basis after January 1, 2022. However, the extensive systems changes that would be required to implement this bill would take 11 months, and there is no viable temporary workaround to implement this bill earlier than July of 2022, so this fiscal analysis assumes an implementation date of July 1, 2022.

The bill language extends coverage based on a number of days. However, coverage in the department's IT systems is effectuated on a monthly basis. This fiscal analysis interprets "365 days" to mean 12 months.

The Department of Human Services (DHS) assumes a one-year enrollment phase-in as additional cohorts move past their 60 day eligibility and into an extension period.

Approximately 20% of MA pregnant women are redetermined ineligible for MA after the period of 60 days post-partum. This population (about 4,000 women in a given month) would be newly covered under this bill.

The remaining 80% of MA pregnant women are redetermined MA-eligible under a different eligibility basis following the 60 day post-partum period. DHS assumes that all of those who maintain eligibility in existing law do so as MA parents. Keeping pregnant women eligible under the pregnant women category of eligibility for longer will reduce the average monthly number those eligible under the MA parent eligibility category by about 3,200 people in a given month. This shift would result in a cost to the state; the average monthly cost for pregnant women who've remained on MA during the COVID extension is about \$740 per member per month in FY 2023 (\$800 for CHIP pregnant women), while the average monthly cost for MA parents is about \$380.

The CHIP pregnant women category is comprised of pregnant noncitizens. DHS assumes that the Centers for Medicare and Medicaid Services (CMS) would not approve federal funding to cover MA for pregnant noncitizens beyond the current eligibility period, so this portion of costs for the approximately 1,600 additional CHIP pregnant women is assumed to be paid through state-only funds.

For all extensions of eligibility, DHS will need to apply for an 1115 Medicaid demonstration waiver. To meet the requirements of this waiver, HCA will contract with a vendor to conduct the necessary data analysis and tracking. Based on prior experience, it is assumed this contract will cost \$150,000 annually for the duration of the demonstration project and receive 32% Federal Financial Participation (FFP).

This proposal also requires two FTEs. It is assumed that both FTEs start in October 2021 to allow adequate time for training and onboarding before the effective date of this bill. One FTE is MAPE 14 and will establish eligibility policy and protocol, provide ongoing support to counties and tribes. In addition to salary costs of \$57,206 in FY 2022 and \$76,275 ongoing, this fiscal note assumes fringe benefits at 30% of salary costs and overhead of \$15,150 upfront costs and \$1,275 per month ongoing.

The other FTE is a MAPE 15 who will manage the reports necessary to identify these enrollees in the system and ensure they are moved to the correct form of coverage. In addition to salary costs of \$59,226 in FY2022 and \$78,968 ongoing, this fiscal note assumes fringe benefits at 30% of salary costs and overhead of \$15,150 upfront costs and \$1,275 per month ongoing.

As previously mentioned, his bill would require significant IT changes to implement. MN.IT has estimated an 11-month timeline (20,150 hours of work) for building out systems changes to accommodate the eligibility expansion, and projects completion in June of 2022. This estimate includes the following assumptions:

- The estimated duration and earliest completion date of the proposed project(s) assumes the work is prioritized relative to other legislative and ongoing IT work. If enacted, the completion date of the proposed project(s) will be dependent on the totality of enacted legislative IT work and ongoing IT work. The total hours assumed in this fiscal note include the projected time required to complete systems work and a 20% contingency assumption to account for unforeseen business requirements in the development and implementation process.

- In addition to the initial development costs cited above, the systems changes required in this bill will result in increased ongoing maintenance and operations costs, estimated annually at 20% of the total initial development cost.

The total cost of the required changes to MAXIS, MMIS, and METS is \$4,717,890 in fiscal year 2022, with a state share of \$1.3 million, and \$943,578 for the following fiscal years, with a state share of \$263 thousand.

Expenditure and/or Revenue Formula

| MA Families with Children | | | | | |
|--|--|----------------|----------------|----------------|----------------|
| | | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
| Additional MA Pregnant Women | | | | | |
| Average monthly MA pregnant women | | 18,260 | 18,260 | 18,260 | 18,260 |
| Percent eligible past 2 post-partum months | | 21.78% | 21.78% | 21.78% | 21.78% |
| | | | | | |
| Average monthly MA PW extended | | 3,977 | 3,977 | 3,977 | 3,977 |
| Average monthly cost | | \$710.93 | \$732.25 | \$754.22 | \$776.85 |
| Phase-in | | 0.00% | 50.00% | 100.00% | 100.00% |
| Total Cost (MA Families) | | \$0 | \$17,474,191 | \$35,996,833 | \$37,076,738 |
| Federal share % | | 50.51% | 50.51% | 50.51% | 50.51% |
| Federal share | | \$0 | \$8,826,214 | \$18,182,000 | \$18,727,460 |
| State Share | | \$0 | \$8,647,977 | \$17,814,832 | \$18,349,277 |
| | | | | | |
| Reduction in MA Parents | | | | | |

| | | | | |
|--|----------------|--------------------|---------------------|---------------------|
| Average monthly MA PW extended | 3,977 | 3,977 | 3,977 | 3,977 |
| Percent who would have been MA parents | 80.17% | 80.17% | 80.17% | 80.17% |
| | | | | |
| Change in average monthly MA parents | (3,188) | (3,188) | (3,188) | (3,188) |
| Average monthly cost | \$368.77 | \$379.83 | \$391.23 | \$402.97 |
| Phase-in | 0.00% | 50.00% | 100.00% | 100.00% |
| Total Cost (MA Families) | \$0 | (\$7,266,427) | (\$14,968,839) | (\$15,417,904) |
| Federal share % | 50.51% | 50.51% | 50.51% | 50.51% |
| Federal share | \$0 | (\$3,670,272) | (\$7,560,761) | (\$7,787,584) |
| State Share | \$0 | (\$3,596,155) | (\$7,408,079) | (\$7,630,321) |
| | | | | |
| Additional CHIP Pregnant Women | | | | |
| Average monthly MA pregnant women | 1,634 | 1,634 | 1,634 | 1,634 |
| Percent eligible past 2 post-partum months | 21.78% | 21.78% | 21.78% | 21.78% |
| | | | | |
| Average monthly MA PW extended | 356 | 356 | 356 | 356 |
| Average monthly cost | \$782.23 | \$805.70 | \$829.87 | \$854.76 |
| Phase-in | 0.00% | 50.00% | 100.00% | 100.00% |
| Total Cost (MA Families) | \$0 | \$1,720,600 | \$3,544,436 | \$3,650,769 |
| Federal share % | 0.00% | 0.00% | 0.00% | 0.00% |
| Federal share | \$0 | \$0 | \$0 | \$0 |
| State Share | \$0 | \$1,720,600 | \$3,544,436 | \$3,650,769 |
| | | | | |
| Fiscal Summary (State Share) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
| | | | | |
| MA Families with Children | \$0 | \$6,772,422 | \$13,951,190 | \$14,369,726 |

Summary

| Fiscal Tracking Summary (\$000's) | | | | | | |
|-----------------------------------|------|--------------------------------|--------------|--------------|---------------|---------------|
| Fund | BACT | Description | FY2022 | FY2023 | FY2024 | FY2025 |
| GF | 33FC | MA Grants | 0 | 6,772 | 13,951 | 14,370 |
| GF | 13 | HCA Admin (2 FTEs) | 203 | 233 | 233 | 233 |
| GF | 13 | HCA Admin (Contract) | 113 | 150 | 150 | 150 |
| GF | REV1 | FFP @32% | (101) | (123) | (123) | (123) |
| GF | 11 | State Share of Systems Costs | 1,317 | 263 | 263 | 263 |
| | | Total Net Fiscal Impact | 1,532 | 7,295 | 14,474 | 14,893 |
| | | Full Time Equivalents | 2 | 2 | 2 | 2 |

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

DHS February 2021 Forecast

NOTE: This is an earlier version of the fiscal note for HF813-0.
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