

HF1182 - 0 - "Parental Contribution Amounts Modified"

Chief Author: **Roz Peterson**
 Committee: **Health and Human Services Finance**
 Date Completed: **02/28/2017**
 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	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	3,622	5,431	5,692	5,972	
Total	-	3,622	5,431	5,692	5,972	5,972
Biennial Total			9,053			11,664

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Travis Bunch Date: 2/28/2017 12:59:26 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		FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	3,622	5,431	5,692	5,972	5,972
Total	-	3,622	5,431	5,692	5,972	5,972
Biennial Total			9,053			11,664
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	1,769	3,789	4,058	4,347	4,347
Total	-	1,769	3,789	4,058	4,347	4,347
Biennial Total			5,558			8,405
2 - Revenues, Transfers In*						
General Fund	-	(1,853)	(1,642)	(1,634)	(1,625)	(1,625)
Total	-	(1,853)	(1,642)	(1,634)	(1,625)	(1,625)
Biennial Total			(3,495)			(3,259)

Bill Description

This bill amends Minnesota Statute 252.27, Subd. 2a by modifying the fee schedule used to calculate parental fees for parents of disabled children receiving medical assistance under TEFRA, waived services, and certain out-of-home placements, because their parents' income is not counted in the eligibility process. Specifically, it reduces fee assessments for parents with household incomes over 275% of the federal poverty guidelines (FPG) effective July 1, 2017. Parental Fee collections are currently split 50/50 between the state and federal governments. The state share is forecasted, and is receipted as non-dedicated revenue to the general fund.

Assumptions

- The bill would be implemented July 1, 2017.
- The federal share of collections will be 50.00% in FY18 and future years.
- The allowance for uncollectible accounts is 10%.
- In-home credit of \$2400 will continue to be deducted from income.
- Child Support credit will continue to be deducted from income.
- Counties will continue to be reimbursed 3.0% of fees collected.

- FPG and Monthly Fee Levels by period:
 - SFY2017 (current fee schedule)
 - 275 545% of FPG = sliding scale (2.23% of AGI to 6.08% of AGI)
 - 545 675% of FPG = 6.08 % of AGI
 - 675 975% of FPG = sliding scale (6.08% of AGI to 8.1% of AGI)
 - 975% and over FPG = 10.13% of AGI

 - SFY2018 and ongoing (proposed fee schedule)
 - 275 545% of FPG = sliding scale (1.115% of AGI to 3.04% of AGI)
 - 545 675% of FPG = 3.04% of AGI
 - 675 975% of FPG = sliding scale (3.04% of AGI to 4.05% of AGI)
 - 975% and over FPG = 5.065% of AGI

- Administrative costs for programming changes and programmatic impacts are expected to be minimal and are within the scope of existing work.
- This proposal decreases parental fees at all FPG levels by 50%. There is an expected enrollment impact due to more families choosing to take-up the MA benefit under the TEFRA option or the with-fee HCBS Waiver option.
- Based on FY2016 data, there are about 2,700 average monthly children with assessed parental fees greater than \$0. It is assumed that this population will grow at a 2% annual rate.
- The estimated enrollment impact is based on the distribution of benefit-fee ratios for current enrollees with parental fees. It is assumed that additional MA take-up will be from families with relatively low benefit-fee ratios, as those with higher ratios will tend to already have been enrolled. Based on DHS data, 26% of current parental fee enrollees have a benefit-fee ratio of between 1 and 5; when fees are reduced this proportion in the current enrollee population is estimated to decrease to 16% as these individuals shift to higher benefit-fee ratios. It is assumed that there will be enough additional take-up at lower benefit-fee ratios to make up the decline in this range, resulting in a 10% increase. The additional enrollment is assumed to phase-in over one year. These enrollees are expected to have slightly lower average payments than the general parental fee population.
- There is also an expected increased utilization impact. In FY 2016 450 with-fee enrollees had average monthly MA payments less than the assessed monthly fee. MA payments were \$2.7 million less than the aggregate assessed fees for this group. Because actual fees owing are limited to no more than actual MA payments, we assume that the existing fee structure constrains MA utilization in many of these cases. We assume that under the lower fee structure, MA utilization by this subset of existing with-fee enrollees will increase by 50% of \$2.7 million, or by \$1.35 million per year.

Expenditure and/or Revenue Formula

Increased Enrollment	FY2018	FY2019	FY2020	FY2021
Average monthly TEFRA and with-fee HCBS waiver enrollees	2,843	2,900	2,958	3,017
Percent growth due to lower fees	10%	10%	10%	10%
Average monthly increase in enrollees	284	290	296	302
Average monthly MA payment	\$1,618	\$1,699	\$1,784	\$1,873
Months	12	12	12	12
Phase-in	50%	100%	100%	100%
Total MA cost	\$2,760,432	\$5,912,845	\$6,332,657	\$6,782,276
State Share	\$1,380,216	\$2,956,423	\$3,166,329	\$3,391,138
Fee Impact	FY2018	FY2019	FY2020	FY2021
Estimated average monthly fee for new enrollees	\$272	\$272	\$272	\$272
Months	12	12	12	12
Phase-in	50%	100%	100%	100%
Reductions for write-off and county share	87%	87%	87%	87%
Fee Revenue from New Enrollees	\$405,716	\$827,661	\$844,214	\$861,099
State Share	\$202,858	\$413,831	\$422,107	\$430,549
Increased Utilization	FY2018	FY2019	FY2020	FY2021
Current annual TEFRA and with-fee HCBS Waiver enrollees with capped fees	467	476	486	496
Annual MA services cost per person	\$6,660	\$6,993	\$7,343	\$7,710
Projected Increase	50%	50%	50%	50%
Increased annual services cost per person	\$3,330	\$3,496	\$3,671	\$3,855
Phase-in	50%	100%	100%	100%

Total MA cost	\$777,780	\$1,666,004	\$1,784,290	\$1,910,975
State Share	\$388,890	\$833,002	\$892,145	\$955,487
MA State Impact	FY2018	FY2019	FY2020	FY2021
State Share (Increased Enrollment)	\$1,380,216	\$2,956,423	\$3,166,329	\$3,391,138
State Share (Increase Utilization)	\$388,890	\$833,002	\$892,145	\$955,487
Total State MA Cost	\$1,769,106	\$3,789,425	\$4,058,474	\$4,346,625
<u>Parental Fee Impact (50% Fee Reduction)</u>				
Decrease in Net Billings	FY2018	FY2019	FY2020	FY2021
Net Billings After	\$ 5,246,786	\$ 5,246,786	\$ 5,246,786	\$ 5,246,786
Net Billings Before	9,957,354	9,957,354	9,246,354	9,246,354
Decrease in Billings	(4,710,568)	(4,710,568)	(4,710,568)	(4,710,568)
10% Write-Off Rate	471,057	471,057	471,057	471,057
Returned to Counties (3.0% of fees collected)	127,185	127,185	127,185	127,185
Total	\$ (4,112,326)	\$ (4,112,326)	\$ (4,112,326)	\$ (4,112,326)
Total State Fee Impact	FY2018	FY2019	FY2020	FY2021
Total Fee Revenue Impact	\$ 4,112,326	\$ 4,112,326	\$ 4,112,326	\$ 4,112,326
Federal Fee Revenue Share (50%)	2,056,163	2,056,163	2,056,163	2,056,163
State Fee Revenue Reductions	\$ 2,056,163	\$ 2,056,163	\$ 2,056,163	\$ 2,056,163

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2018	FY2019	FY2020	FY2021
GF	33	MA	\$1,769	\$3,789	\$4,058	\$4,347
GF	REV2	Parental Fee Revenue	\$2,056	\$2,056	\$2,056	\$2,056
GF	REV2	Parental Fee Revenue	(\$203)	(\$414)	(\$422)	(\$431)
		Total Net Fiscal Impact	\$3,622	\$5,431	\$5,692	\$5,972
		Full Time Equivalents				

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

Although not required, some counties assess parental fees for out-of-home placements using the sliding fee schedules under this statute and would experience a decrease in revenue as a result.

References/Sources

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