PREPARED BY: Liz Hruska,
DATE PREPARED: February 11, 2018
PHONE: 402-471-0053

LB 956

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)

	FY 2018-19		FY 2019-20	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See Below		See Below	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill would require the Department of Health and Human Services to apply for a Medicaid waiver on or before January 1, 2019 for a demonstration project to allow any resident of the State who is not eligible for Medicaid to purchase coverage. The bill requires annual premium payments. The payments would be capped at 150% of the prior year's median cost per Medicaid beneficiary. The demonstration project would make coverage available to the extent allowed by the Social Security Act. Federal funds are prohibited from being used for implementation or benefits.

The Medicaid Program is designed to provide medical coverage for low to moderate income individuals and families. All current waivers include a cap on income. Since the waiver application required in this bill does not have an income limit, it is unlikely that a waiver would be approved. For this reason there are no costs projected beyond the cost of the cost of developing the waiver.

An actuarial study is required. The cost would be $100,800 in FY 2019. As this application would be similar to applying for a waiver under Medicaid expansion, two additional program specialists would be needed to develop the application. The cost would be $139,586 in FY 2019.

Technical Note: The bill requires the Department of Health and Human Services to apply for a federal waiver, but Subsection 3 of the bill states that federal fund shall not be used for the purpose contained in the bill. If the intent is to only prohibit federal funds only for premiums payments or benefits, the actuarial study and personnel costs would paid by the 50% federal match.

LB(1) 956 FISCAL NOTE 2018

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) Mike Michalski Date Prepared: 1-16-18 Phone: (5) 471-6719

	FY 2018-2019		FY 2019-2020	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	$8,731,463	$0	$12,270,162	$0
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	$8,731,463	$0	$12,270,162	$0

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB 956 would require the Department of Health and Human Services (DHHS) to establish a new state government-sponsored health insurance program. All residents of the state, not otherwise eligible for Medicaid, would be allowed to participate in this program. The bill requires that DHHS charge a premium for this insurance program that is not to exceed one hundred fifty (150) percent of the median expenditure paid on behalf of a Medicaid recipient during the immediately preceding fiscal year.

LB 956 mandates that the benefits and services provided under this insurance program shall be the same as the benefits and services provided to Medicaid beneficiaries. The legislation also requires DHHS to use only state funds to pay for this insurance program.

It is assumed this legislation requires DHHS to develop, administer and provide a Medicaid-like health insurance option to non-Medicaid eligible individuals. According to the Nebraska Department of Insurance, approximately 161,000 individuals were uninsured in Nebraska in 2016. The number of individuals who purchased individual insurance policies in the Nebraska market place totaled 97,064 for 2017. These two populations make up the likely universe of potential participants in the LB956 program. Should 50% of this pool choose to participate in the LB956 program, the program is estimated to serve nearly 129,000 individuals in SFY20. This does not take into account those individuals that would drop current employer-sponsored coverage due to lower cost and/or more comprehensive benefit package available under this program. The fiscal note also does not account for the potential for small employers to enroll their employees in this plan.

In order to develop and administer this program, DHHS would need to contract with private health plans to deliver benefits and services similar to the Medicaid benefits. Health plans would also be required to collect premiums from the insured individuals which should not exceed one hundred fifty (150) percent of the median expenditure paid on behalf of a Medicaid recipient. The median cost for a Medicaid eligible person in SFY17 was $195.63 per month, 150% of the median is $293.45. For comparison purposes, the mean capitation amount paid to the MCOs in SFY17 was $400 per month. It should be noted that current MCO coverage under Heritage Health does not include coverage for dental benefits or long-term care services such as nursing facility care, home health, or personal assistant services.

The fiscal note does not account for any potential coverage cost gap between the 150% of median rate used in the legislation and the actual cost of coverage for the population participating in the LB 956 program. Because enrollment in this program is not mandatory, it is expected that individuals with mid to high cost medical needs will apply. A premium set at 150% of the median Medicaid rate will not cover the medical costs of this population, nor will it be enough to cover the administrative burden; therefore, general funds will be needed to startup the LB 956 program and to maintain it.

Assuming current MCO health plans participate in the LB 956 program and a 1/1/19 start date for implementation, there would be an initial one-time cost of $4,500,000 in SFY19 to modify their systems for the new population and the collection of premiums. Based on a current contract signed by Indiana Medicaid to collect premiums, the estimated cost is assumed to be $1.95 per person per month, or $3,096,000 on-going annual cost. To set-up premium rates, DHHS would contract with an actuarial consultant. The estimated cost to initially develop a premium rates would be $100,800 in SFY19 and $55,320 on-going annual cost to update rates.

DHHS would amend the current contract with the DHHS enrollment broker to include the new population, to communicate eligibility of individuals and enroll them in available plans. It is assumed that enrollment would begin on April 1, 2019, with the first premium being collected for July 2019. Below is the estimated contract cost analysis, based on the existing contract.

Enrollment Broker	SFY19	SFY20
System Modification Cost	$325,000	$0
First Year Enrollment Cost	$0	$1,381,030
Total	$325,000	$1,381,030
There would be an additional ongoing maintenance cost of $993,852 annually from SFY 21 and beyond.		

Information Systems and Technology (IS&T) changes would also be necessary to meet the requirements of LB956 to support the new non-Medicaid population. The cost of required system changes is estimated at $296,120 in SFY19. The Department would also need to modify the existing Data Management & Analytics (DMA) system. DMA system change cost is estimated at $1,500,000 in SFY19 and $600,000 in SFY20 as ongoing maintenance cost.

In order to handle the new population expected to enroll in LB956 Program, DHHS service areas would need 89 eligibility staff as Social Services Worker (SSW) to monitor case load and to determine eligibility, 9 Full Time Employees (FTEs) Social Services Supervisor, and 1 FTE Social Services Unit Manager to start from April 1, 2019. In addition to the eligibility staff, DHHS would also require 6 FTEs: 1 DHHS Program Administrator I, 1 Program Specialist, and 1 Program Manager II for contract oversight team to manage different health plans, 2 Program Specialist for policy team to interpret policies and to develop rules and regulations to start from October 1, 2018 and 1 Health data coordinator to start from July 1, 2019. The fiscal impact of total staff increase would be $2,009,543 in SFY19 and $7,137,812 in SFY20, which includes all expenditures for salary, benefits and facility/office overhead expenses.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS 18-19	NUMBER OF POSITIONS 19-20	2018-2019 EXPENDITURES	2019-2020 EXPENDITURES
DHHS Program Manager II	0.75	1.00	$46,964	$62,618
DHHS Administrator I	0.75	1.00	$50,485	$67,313
DHHS Program Specialist	2.25	3.00	$105,384	$140,512
Health Data Coordinator	0	1.00	$0	$52,601
Social Services Worker	22.25	89.00	$816,287	$3,265,147
Social Services Supervisor	2.25	9.00	$105,632	$422,529
Social Services Unit Manager	0.25	1.00	$13,565	$54,259

Benefits	$377,176	$1,327,991
Operating	$7,215,971	$6,877,192
Travel		
Capital Outlay		
Aid		
Capital Improvements		
TOTAL	$8,731,463	$12,270,162