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OHIO LEGISLATIVE SERVICE COMMISSION

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Office

S.B. 25
133rd General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Sen. M. Huffman

Local Impact Statement Procedure Required: No

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Highlights

- The bill makes revisions to the work requirement demonstration program approved by the Centers for Medicare and Medicaid Services (CMS) on March 15, 2019 for individuals enrolled in Medicaid under the expansion eligibility group (often referred to as Group VIII). As a result, additional individuals could be required to comply or potentially be disenrolled. Thus, there could be a reduction in Medicaid expenditures.
- The bill expands work requirements to apply to the parents and other caretaker relatives eligibility group. Medicaid expenditures could decrease depending on the number of individuals that are impacted and potentially disenrolled.
- The bill would result in an increase in Medicaid administrative and information technology costs.

Detailed Analysis

Summary of provisions with fiscal effects

The bill revises the work and education requirement for individuals who enroll in Medicaid under Group VIII. The bill requires that an individual be employed at least 20 hours per week or be enrolled in an accredited institution of higher education or an occupational training program. The bill raises to 65 (from 55, which is in current law) the age an individual must be to be exempt from requirement on the basis of age. The bill also provides that an individual is exempt from this requirement if they are medically certified as physically or mentally unfit for employment because of an intensive physical health care need or serious mental illness. The bill creates an exemption for an individual who personally provides care for either a child who is under one year of age, or who has a medical condition or disability that the Medicaid Director determines is serious enough to warrant an exemption.

In addition to the revision described above, the bill expands the work and education requirement to apply to individuals who enroll in Medicaid under the parents and other caretaker relatives eligibility group. This population would be enrolled in the Covered Families and Children (CFC) category.

Approved work requirement demonstration program

On March 15, 2019, the Centers for Medicare and Medicaid Services (CMS) approved a work requirement demonstration program for the state of Ohio. This demonstration program applies only to the Group VIII population. Under the demonstration program, an individual must participate in a community engagement activity for a minimum of 20 hours per week. These activities include: education and training activities and job search/job readiness. The exemptions approved by CMS are as follows, an individual must be: 50 years of age or older, physically or mentally unfit, participating in a specialized recovery services program, caring for a disabled household member, pregnant, pregnant/caretaker residing in the same Medicaid household with a minor child, receiving unemployment compensation, in school at least half-time, participating in drug or alcohol treatment, receiving drug or alcohol treatment, a Supplemental Security Income (SSI) recipient, or incarcerated.

The Ohio Department of Medicaid (ODM) stated that of the roughly 614,000 Group VIII enrollees, 41.4% (253,638 individuals) are currently working and 40.8% (250,193 individuals) are exempt from work requirements. The remaining 17.8% (109,258 individuals) require further assessment to determine if they would need to comply with the work and community engagement requirements.¹ It is likely that upon further assessment, some of these individuals would be determined to be exempt. Thus, it is unknown at this time how many individuals would need to comply with the approved CMS requirement.

Fiscal effect

As of February 2019, there were about 614,000 recipients enrolled under the Group VIII category. The bill revises the current work requirements for this population, which would result in more individuals having to comply or potentially face disenrollment. LBO does not know at this time how many additional individuals will be impacted as a result of the bill. For the Group VIII population, the federal government reimburses 93% of costs for calendar year 2019 and 90% for calendar year 2020 and beyond.

As of February 2019, there were about 453,000 individuals enrolled under the “CFC-Adult” category. The Kaiser Family Foundation states that 60% of nonelderly, non-SSI Medicaid recipients are working either part or full-time, while another 14% are not working due to illness or disability. Twelve percent do not work due to caregiving responsibilities and 6% due to school attendance. Seven percent of this population does not work due to other reasons. If 7% of the CFC-Adult population is impacted, this means about 32,000 individuals could be required to comply or potentially face disenrollment. If all of these individuals were disenrolled, Medicaid expenditures could be reduced by approximately \$164.2 million per fiscal year

¹ Testimony before the House Finance Committee on March 20, 2019 describing ODM’s preliminary assessment of this program.

(\$60.7 million state share). This assumes an average monthly cost of \$431.48.² The federal government reimburses approximately 63% of costs for this population. However, some of these individuals would likely be determined to be exempt upon further assessment. If this is the case, then the decrease in expenditures would be less.

As a result of the requirements, administrative costs are likely to increase. ODM, in its request to CMS to conduct a demonstration program, estimated that it would cost approximately \$12.8 million per year to counties to implement work requirements.³ Medicaid would need to update systems to allow recipients to verify work or education, as well as develop educational materials to explain the new requirements.

Lastly, all health insuring corporations (Medicaid Managed Care Organizations are considered such a corporation) are required to pay a tax rate based on member months. If individuals are disenrolled, the taxes collected could decrease.

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² The average monthly cost was calculated by the average of the capitation rates paid to managed care organizations in January 2019 for each CFC category over the age of 18, weighted by that category's share of the total member months for all adult CFC categories.

³ It is unclear from ODM's application if this figure is the total cost or if it represents only the state's portion of administrative costs. If it is the total cost, then Ohio's state share would be \$6.4 million since administrative costs are reimbursed at 50%.